

UNITED STATES DEPARTMENT OF AGRICULTURE

IN RE: WTO LISTENING SESSION

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TRANSCRIPT OF PROCEEDINGS

BEFORE:

Panel Members:

Jim Schroeder, USDA Deputy Under Secretary for Farm and Foreign Agricultural Services

Teresa Howes, USTR Director for Asian Agricultural Affairs

Ambassador Marc Baas, Department of State - Director of the Office of Agriculture and Textile Trade

State Department of Agriculture:

Commissioner Gene Hugoson, Minnesota

Secretary Ben Brancel, Wisconsin.

Commissioner Roger Johnson, North Dakota

Secretary Darrell Cruea, South Dakota

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P R O C E E D I N G S

June 7, 1999

COMMISSIONER HUGOSON:

I think we'll go ahead and begin. My name is Gene Hugoson. I'm the Commissioner of the Minnesota Department of Agriculture and we would like to welcome all of you here today for this, the second listening session, that USDA -- U.S. Trade Representative's

Office is holding around the United States. On behalf of the Minnesota Department of Agriculture, we're extremely pleased to be able to host this event today and want to extend our appreciation to my colleagues from Wisconsin and North Dakota and South Dakota who -- Secretary Cruea from South Dakota will be joining us a little later as soon as his plane gets in. And we are going -- our first scheduled speaker for today is Governor Ventura who is tied up in traffic. The Governor of North Dakota made it here but we haven't got Governor Ventura yet. So it's -- it's -- but he's coming. I suppose light rail, if we had that, that would have solved that, that problem. Let me begin by expressing my appreciation to USDA/United States Trade Representative's Office for being willing to host these listening session -- or to take part in these listening sessions. Certainly their commitment to work together with the States on this effort is a good signal of the type of cooperation that we believe trade -- international trade offers for our production agriculture, and the necessity of us all working together to have that happen; the government at the federal level, government at the state level and private industry working together to achieve what's going to be best for the production agriculture segment in each of our four states. With that in mind, I'm just going to make some brief comments and then turn it over to Secretary Brancel from Wisconsin and Commissioner Johnson from North Dakota until Governor Ventura gets here and then we will -- we will break when Governor Ventura comes for both he and Governor Schafer from North Dakota to make their presentations. Certainly, when we look at what's gone on in agriculture over the last year and seen the devastation that low prices have caused, much of which is because of a break of our ability to export products overseas. We recognize how important international trade really is. Therefore, the upcoming WTO sessions in Seattle at the end of this month and the beginning of next month take on new importance. Certainly, decisions and agreements that are made at this session in Seattle will have long-range impact for years to come. I think if there are a couple things that we've learned from the past, and a couple of things that could be done in terms of these upcoming sessions, we've learned this. One of the weaknesses we have at this particular time is that when there are disagreements the means of trying to address those shortcomings are extremely slow, extremely costly and take just a long time to rectify a problem that does exist. If there's some way that we can come up with some type of a process that would allow those infractions that occur to be able to be addressed more quickly and less costly, it certainly would be a good idea. The other thing I think that we've learned that even as some of us from the upper Midwest states have had some trade issues with our neighboring partner to the north, Canada, we've also learned from a session that Roger Johnson, myself, Darrell Cruea from South Dakota and Ralph Peck from Montana, just recently had last week out in Montana, where we had a session with our Canadian counterparts from across the border, and come to find out that we actually have a lot more in common with them than we do differences. And, certainly, when we look at some of the upcoming issues that involves the European Union, we have -- we're on the same side of some of those issues, whether we're talking about GMOs, whether we're talking about some of the subsidy issues that go on in the -- in the EU. It seems to me that there are areas where we and Canada can work closely together to address those issues and not so much concentration on some of the things that tend to divide us. Mostly of which is attributable to the exchange rate in the currency between the two countries. But, again, let me emphasize

that from our perspective the ability for American ag products, and from those from the upper Midwest especially as we're concentrating on here today, to be able to export those commodities to as many places as possible is extremely important. And anything that we can do together with the Federal government to help in that area would be greatly appreciated. So to those of you from USDA, U.S. Trade Representatives Office and the Department of State, we want to welcome you here. We'll do the formal introductions a little bit later. But thank you for -- for taking part. With that I would like to ask Secretary Ben Brancel from Wisconsin to make a few comments and then we'll go on to Roger after that. Thank you.

SECRETARY BRANCEL:

Good morning to the USDA and to the Trade Representatives and to the State Department. Commissioner Hugoson, we appreciate your effort and interest in ag exports and imports and putting this conference today. I am Ben Brancel. I'm the Secretary of Wisconsin Department of Ag Trading Consumer Protection and I represent 70,000 farm families. And we want to thank you for this opportunity to testify on international trade. Agriculture is a vital important part of our economy in Wisconsin. The agricultural industry generates \$40 billion each year and makes up over 20 percent of our \$185 billion economy. And more than half of the people and about one-third of our state workforce are employed in agriculture or agriculture related jobs. And in 1998 Wisconsin exported nearly \$1.3 billion worth of agricultural goods and more than 32,000 jobs are tied to agricultural exports. The opportunity to export our diverse, world-class agriculture products in an open, global market with unfettered access is an essential element to our continued economic growth. Through ongoing efforts to ensure open-market access and remove exclusionary trade barriers, the Federal Government must be an integral part in the World Trade Organization negotiations as both parties work toward meaningful, balanced and mutual beneficial trade agreements. There are numerous issues that could be brought before this panel today, but I have chosen to concentrate my comments on three of the most pertinent to Wisconsin's agriculture products. The upcoming WTO negotiations will put agriculture trade concerns in the forefront for the first time and provide us with a forum to discuss real efforts to reduce inequitable tariffs and open new markets, eliminate exclusionary export subsidies and better define sanitary or phytosanitary regulations imposed by foreign governments. Tariffs need to be more uniform. Inordinately high tariffs imposed by foreign governments raise costs to U.S. exports, effectively shutting Wisconsin and other U.S. producers out of the market. Following the Uruguay Round, developed countries cut their tariffs by 36 percent on an average. However, tariffs on U.S. products remain too high, greater than 50 percent on average compared to less than five percent for imports into the U.S. Wisconsin and American dairy products are particularly hard hit especially in the European Union, Canada and Japan. These are three of the major markets for U.S. dairy and other agriculture products. However, WTO comments -- commitments allow them to impose tariffs in excess of 200 percent on cheese and butter, two products that are produced in Wisconsin with the highest quality and account for 95 percent of our milk production. We ship 85 percent of our dairy beyond our border and had dairy exports of \$229 million in 1998 alone. Yes, the U.S. does have its own tariffs on imported dairy products but not to this protectionistic extent. We know that we must provide some access to our market in order to receive access to foreign

markets, but that give and take has to be a two-way street. All member countries need to participate in tariff reduction measures, particularly those in markets protected by exclusionary practices. Any changes to the current system must take steps to reduce disproportionately high tariffs, as well as provide new market access for Wisconsin and U.S. dairy and agricultural products. U.S. agriculture producers and farmers are increasingly looking for overseas markets to expand sales opportunities. In the past 15 years, high-value products have seen export sales surplus domestic sales by increasing margins. Export value of U.S. consumer foods has risen to an estimated 16 percent annually, about three times faster than the rate of domestic food sales. However, the continued success of this industry is dependent upon trading in a global market that exercises free trade practices -- fair trade practices on a level competitive field, elimination of exclusionary export subsidies. Plain and simple, our Wisconsin and U.S. agriculture producers cannot competitively compete in foreign markets against subsidized products. Wisconsin accounts for four to six percent of the world's market share for dairy products. Australia, New Zealand and the European Union account for between 35 and 40 percent of the world trade in dairy products. The EU maintains this market share due to its overly generous export subsidies. Under current WTO agreements, the European Union will be allowed to spend more than \$8 billion for export subsidies in the year 2000 while the United States is limited to less than \$600 million. This inequity leaves the playing field severely skewed towards the EU. To compete fairly in a global market, a level playing field needs to be created and strictly maintained. The use of export subsidies, a common practice around the globe, will continue to keep world dairy prices at an artificially low rate, and it's a much lower rate than the domestic Wisconsin and U.S. prices, severely limiting our ability and our producers' ability to gain meaningful expansion in dairy exports. If these subsidies are not limited, our dairy industry will continue to suffer and fight an uphill battle as a result of the WTO authorized practice. The global demand for agricultural products continue to increase, but so does the competition with foreign market suppliers. Excessive subsidies put our producers at a competitive disadvantage. For Wisconsin and U.S. suppliers to compete successfully in the greater market, we need to have fair trade practices with unencumbered access to grow -- a growing global market. Better defined sanitary and phytosanitary regulations. The WTO needs to monitor these issues so that countries cannot mask protectionistic actions under the guise of health concerns. All phytosanitary agreements should be backed by sound scientific studies, not political expediency. I have many comments in this area, but I'm going to reserve those because I believe there are other agricultural organizations that will touch in a much more eloquent way on this issue, but it is vitally important to our Wisconsin producers. Thank you for this opportunity.

COMMISSIONER HUGOSON:

Thank you, Ben. Just so you aware, each state does things a little differently as it relates to their ag person. They call them different things, they're chosen in different ways. In Minnesota and North Dakota we're Commissioners. In Wisconsin and South Dakota they're Secretaries. In -- in all of the states except North Dakota and Iowa in our region the Commissioners are appointed by the Governors. In the other two states and in North Dakota and Iowa they're elected. So you sort of have a different way in how we all get to this position. Commissioner Roger Johnson is from North Dakota. He's one of the, as

I mentioned, elected to that position and has served in that position now for two years?

COMMISSIONER JOHNSON:

Two-and-a-half.

COMMISSIONER HUGOSON:

Two-and-a-half years. And so Roger welcome and it's good to hear from you.

COMMISSIONER JOHNSON:

Thank you, Gene. And thank you in particular for hosting this -- this important listening session. On behalf of North Dakota's 30,000 farmers and ranchers, I certainly thank you for this opportunity. I want to make special mention of -- of thanking the USDA and USTR for putting these sessions together in the State of Minnesota and your department here, Gene, for hosting these. Certainly, these talks that are upcoming are going to be very important and the negotiations that are a part of those are going to have a very long-term effect on agriculture, as we know it in this country. And so the importance of this meeting and -- and others that precede those talks I think can probably not be over emphasized. I want to touch real briefly on about seven what I call guiding principles that I would hope that our negotiators would follow as they move into this next round of WTO talks. And the first one is one that's already been mentioned that agriculture needs to be a top priority. And this I think belongs at the top of the list because of its importance. As they say, hindsight is 20/20. Looking back I believe many of us in agriculture feel as though our industry has not been a top priority of our country's trade negotiators in past rounds both regional and international negotiations, and that needs to be changed. As you all know, our domestic agricultural economy is suffering tremendously - a subject for a whole different meeting I'm sure - and a number of them due to the prolonged periods of low market prices coupled with a series of natural disasters throughout much of our country. And I would argue in part due to federal farm policies that have just not adequately protected our family farmers and ranchers. We absolutely can't afford to lose more ground in the area of agriculture in this country and our negotiators need to keep this at the top of their priority list. Our family farmers and ranchers must be the top priority of our countries trade negotiators. And this might even be compared to be in contrast to the former administration's approach, which I think in earlier trade negotiations, often brought agriculture sort of to the table at the last, and then tended to trade away some of the very important elements of agriculture for other important sectors of our economy. Hopefully, we've learned our lesson. And, obviously, those of us in this -- this room have sort of a selfish interest, because we're all concerned about agriculture and hopefully that sort of priority is one that -- that this administration will take to the talks and place it very high. Our domestic industry largely made up of family farmers and ranchers cannot survive the policy of trading at any cost. If we continue in that direction, the cost would be the loss of an industry that is the backbone of our country's social structure, as well. The second guiding principle is that I believe our domestic policy rights must be protected in trade agreements and the heart of our trade negotiations must be, as I mentioned, the interest of our family farmers and ranchers. We must protect their ability to implement domestic farm policies that enhance our producers' capabilities to compete fairly in the world market while yet becoming the trusted provider of the highest quality food in the world. The Asian economic crisis clearly demonstrates that we must do more than rely solely on foreign markets to sustain our domestic industry.

And certainly there's an appropriate role for domestic policies to play. As a matter of national security, we need to have domestic farm policy that recognizes the inherent obligations of a government to provide its citizens with a safe, healthy and adequate food supply. Our negotiators must make sure that in the future we have the ability to develop and maintain those policies, which may, in fact, be different from policies that we currently have in place in this country. And we must recognize the sovereign rights of other countries to have the same capabilities. After all, what is more important for any country than its obligation to ensure -- to assure its citizens of a safe, healthy and adequate food supply? Thirdly, an international food reserve; we also have a need to provide food security on an international level for countries across this globe. An international food reserve program should be developed to increase the security. During productive, profitable years some of that production should be held for use in lean years. All WTO countries should be responsible for sharing in the cost of such a program and it ought to be isolated from the market. Certainly, we can all recognize that such a program, if employed only by this country or only by any other country in the world, would impose a very large burden on that country. But if all major food-producing countries were to share in such a system, its humanitarian benefits would be something that would accrue to all of us. It is really no new idea to suggest that food ought to be stored during the years of plenty for the lean years that will follow. Fourth. Direct export subsidies must be equalized first and then eliminated. And you've heard both of my colleagues talk about the need for doing that. I will just make a very brief point about it. The European Union continues to use direct export subsidies to dump their commodities onto a world market and have in large fashion have created sort of a David versus Goliath scenario with the use of direct export subsidies while many other countries, including our own, continually fight a losing battle in this arena. Our negotiators must work to first equalize and then eliminate direct export subsidies. Fifth, the trade dispute resolution process must be improved. And you heard discussion about this, as well, from both of my colleagues. We have ongoing trade disputes in this country that started years ago and are still unresolved. The dispute resolution process is slow. It is very cumbersome. Our negotiators must insist on improvements to this process. As Gene mentioned, last week we spent much of our time in Great Falls meeting with our Canadian counterparts and this is an issue on -- on which I think we will have very strong commonality. They share the same sort of frustrations that we have with respect to resolving trade disputes. We must demand timely and complete compliance with current trade agreements and international trade laws from all countries and that dispute resolution process ought to be a part of that. Sixth, high standards must be adhered to. We need to insist that international standards are set at a level at least equivalent to the high standards already in place in this country. Consumers worldwide are increasingly demanding higher quality products. We produce that high level of quality, but we must never forget that it is the consumer who determines what she or he is willing to buy. We can no longer tolerate the importation of commodities produced at much lower standards than what our farmers and ranchers must adhere to in this country and we should not allow the importation of products which are produced with inputs that are illegal for our producers to use if there is a concern about public safety, food safety, about health or environmental issues. We ought to level up rather than level down with respect to setting international food standards. Our past

legislative session addressed this issue by passing a bill that clearly adhered to this principle. Why should our producers be forced to compete with foreign procedures who have the ability to use chemicals that are banned in our country? Perhaps even more importantly, why should our consumers tolerate it? We must negotiate toward the highest standards, not to the least common denominator. My final point is that the use of non-tariff trade barriers must be eliminated. We must also work to end these barriers which often hamper the flow of trade. The next round of WTO talks must create more stringent rules and require the use of sound science in dealing with non-tariff issues. Sound science must also be used in making determinations on the safety of using hormones and genetically modified organisms in food production. Government scare tactics should not be tolerated. But as I mentioned on my earlier point, we must continually remind ourselves that consumers drive the market and we must meet their standards. I believe we must increase our capabilities in the area of identity preservation and should consider the potential benefits of accurately labeling organic, mainstream and enhanced food production. In the end consumers must be willing to accept our science -- sound science or the products simply will not sell. We will not achieve our goal of becoming the trusted provider of the highest quality food in the world by forcing sound science onto consumers. They must believe it. In conclusion, I would point out that many textbooks and publications on trade indicate that the displacement of domestic industries is sometimes the price that has to be paid to obtain free trade. I'm here to tell you that agriculture is not willing to be one of those industries that simply disappears from this country. Agriculture must be the top priority in upcoming negotiations and the interest of our family farmers and ranchers must be protected.

Thank you again for this opportunity.

COMMISSIONER HUGOSON:

Thank you, Roger. Again, to -- to those of you that perhaps were not in the room when we first started, a hardy welcome to the session today as we begin this listening session here in Minnesota for the World Trade Organization folks that will be involved with the negotiations in Seattle this -- this fall. It is a great privilege for me to introduce to you my boss, Governor Jesse Ventura, elected to the Governorship last November. It goes without saying that I think he shocked a lot of the political establishment not only here in Minnesota, not only around the United States but literally around the world. We are very pleased that he is here today to share some of his thoughts and the administration's thoughts in terms of how important trade really is for the agricultural sector. Certainly, one of Governor Ventura's precepts is that grassroots participation is extremely important in any political process. What we're doing here today is a perfect example of grassroots' participation, that is government taking its ears to the people and listening to what they have to say on this particular issue. Also, of course, Governor Ventura strongly believes that people need to be working together to help their own situation, and that's really what agriculture wants to do in terms of having a voice at the WTO talks later on this year. With that in mind, please join me in welcoming Governor Ventura, Governor of the State of Minnesota.

GOVERNOR VENTURRA:

Thank you. Thank you, Commissioner Hugoson. Always a pleasure. I just wanted to state, first of all, that Light Rail is working well this morning. You know I have to battle

to get a transportation package. It took me 30 minutes to go five miles up there on -- where 494 intersects with 94 up by Weaver Lake Road. Are you listening, Press? Okay. Good morning, welcome to St. Paul, the capital city of Minnesota. I know we have a lot of distinguished visitors here from throughout Minnesota, as well as from our neighboring states of Wisconsin, Iowa, North and South Dakota. Governor Ed Schafer of North Dakota, I appreciate your courage for coming here today, Governor. I know I saw a few bumper stickers in the parking lot that said, My Governor can beat up your Governor. Don't worry, I'm not going to beat you up today. It only means I could if I wanted to, but rest assured I don't want to, because today Governor Schafer and I are on the same team absolutely. We also have some special guests here from the Federal Government in Washington, D.C. I understand that you're here to listen today. That's good. I like it when the Federal Government takes time to listen to how the farmers are doing here in the upper Midwest. I saw a bumper sticker that applies to you, too, I think. It said, Think globally. Act locally. But in this case I think it needs to be changed around. For our purpose here it should say, Think locally. Act globally. We want you to keep in mind our local concerns as you go to the global conference to discuss trade issues in Seattle this fall. I'm not here to talk about how Minnesota is doing versus North Dakota or Wisconsin or Iowa. I'm here to talk about how we are doing collectively competing against other nations in the global marketplace with our agricultural products. I'm a big believer in self-sufficiency and personal responsibility. The competitive spirit that makes our nation strong grows out of the creative, determined effort of each individual. It all, of course, starts there. Yet I am also a believer in government responsibility. Some issues go beyond the reach of individuals. That's where the government must and should step in. What it means is that each part of society has its own role and its own responsibility to play. The farmer has the role, the state government has a role and, of course, the Federal Government has a role. Are the farmers doing their part? I should say so. In Minnesota we've witnessed several consecutive years of record crops. Agriculture is responsible for about one-fifth of our economy. One out of every four workers in Minnesota owes their job to agriculture and related industries. With so much productivity, why is there a crisis? Why are some farmers suffering more than they have since the mid 1980's? Because they produce so much that it needs to be sold to other nations. One-third of Minnesota's agriculture product is exported to the tune of \$2 billion a year. I'll repeat that. Two billion - two. Thirty seven percent of Minnesota's corn is exported mainly to Asia and Europe. Fifty four percent of our soybeans gets sold around the world mainly to Asia. Thirty five percent of our wheat crop goes to the Middle East, Africa and, you guessed it, Asia. The farmers are definitely working hard, but a basic problem is that there are a lot of things going on around the world that are beyond their control. Farmers can't be responsible for the economic crisis in Asia. Farmers can't take the blame for other nations that have unfair trading practices. Decisions made in Beijing and Ottawa can affect how much money a farmer in Wausaukea or Fergus Falls gets for his or her crop. The Wall Street Journal recently featured a story about how Brazil is rapidly expanding its farming potential. A new project could open up 75 million acres of Western Brazil for growing soybeans. That would equal the entire U.S. soybean crop. Our problem is not productivity; our problem is how to maximize our competitive edge. If another country figures out a way to match us, then we have to go one step further. Maybe if we lose our

market for soybeans, we have to come up with value-added product made out of soybeans. To compete at a global level, we have to make sure our products stand out. Don't forget, we're not only a grain state here, we're a brain state. What can the state government do about these problems? What is our responsibility? There are a number of things we as the state can do. (1) First aid. Some family farms are suffering and need help right away. The State of Minnesota is providing \$122 million in tax relief. (2) Investment in agriculture. We have a number of projects in the works to promote Minnesota's agricultural exports. In November I'll be traveling to Japan, our number two trading partner, in order to build a -- to build relationships, open markets and promote the products of Minnesota. Our Commissioner of Agriculture, Gene Hugoson, and his staff are working on long-term marketing and development initiatives. We have allocated millions of dollars for this and we hope that seed money will yield -- yield big crops of future profits. (3) Reform. Common sense tells me that if something is not working the best thing to do is to figure out how to fix it. I'm very lucky to have some of the brightest people in Minnesota helping me to solve these problems. I'm establishing a farm cabinet, a think tank, composed of some of my Commissioners whose departments are involved in these very issues; agriculture, trade and economic development, revenue, finance, commerce and the pollution control agency. My farm cabinet is going to analyze all the factors that affect the ability of Minnesota farmers to compete. They will analyze how our farmers stack up to farmers in other states, as well as other countries. Then we will start fixing the things that need fixing. You think I'm tough? Wait until you see what happens when Minnesota farmers start -- start their muscle building. The next bumper sticker you may see is My farmer can beat up your farmer. The key idea that will reform agriculture in Minnesota is that competition means a lot more than just productivity. But what about the Federal Government, how can it help? What role should it play? Uncle Sam, you can go to bat for the farmers for Minnesota, North Dakota, Wisconsin and the entire upper Midwest. Our states rely upon exports more than most other states do. We face a global problem. We need a global power, the United States government. We need you to make agriculture a number one priority. We need you to be aggressive about removing unnecessary trade barriers and opening up new markets for our farmers. We cannot let other countries have an unfair advantage by setting up artificial barriers to keep our products out. Above all, we must be competitive. We cannot let other countries beat us to the punch. I'll have a lot more to say on this, but I'm going to wait until I visit Washington, D.C., in a couple of weeks. Our farmers and our state government are doing their part. It's now up to the federal agencies in agriculture and trade to do -- to get ready to do business in Seattle in November with the World Trade Organization. Your work is cut out for you. Thank you for listening and we definitely will be watching for the results. Thank you.

COMMISSIONER HUGOSON:

Thank you very much, Governor. We're also honored today to have one of the Governors from our neighboring state of North Dakota here, as well. Governor Schafer was first elected in 1992, reelected in 1996. And as Minnesota does, North Dakota has a big interest in agriculture, as well. Governor Schafer, we're extremely pleased and honored to have you here. Welcome.

GOVERNOR SCHAFER:

Thank you, Commissioner. Thank you for the opportunity to be here. Governor, we're pleased that you finally made it. I -- we had to leave North Dakota a little earlier, but I don't think we had the problems that you had getting here. I think it worked out pretty good. But I do appreciate the efforts of your office and Commissioner Hugoson to put together this listening session. Hopefully, we'll have a good day. Governor, I'm glad you brought up the bumper sticker thing. It's pretty interesting. Now, that bumper sticker didn't bother me too much when it first came out, Our Governor can beat up your Governor. My problem I had is the Greater North Dakota Association, which is our statewide Chamber of Commerce, was selling T-shirts that said, Prove it. That did concern me some, you know, but I figured just up the street here at Gram's Marathon in Duluth I ran a two hour and 49 minute marathon, so you'll have to catch me first. But if you're going to get me in the ring, it's going to be after a good long run. But we do appreciate the opportunity to be here and thank you all for joining us today. Also, I want to thank the USTR and the USDA for arranging these meetings, not only here but around the country. And good morning to all of you, as well. When I saw the list of the farm group representatives here this morning from North Dakota, one question came immediately to mind is that why aren't you in the fields? Why aren't you out there? It's been a very wet spring in North Dakota and a lot of parts of our state planting is still going on. Farmers are frustrated and worried about even getting a crop in the ground. But they still thought that this was so important that they wanted to attend this meeting here in St. Paul and say one thing. In trade negotiations it's time that agriculture comes first. North Dakotans understand the importance of exporting our crops and our livestock and our food products. We produce one-half of the nation's hard bread spring wheat, two-thirds of the durum in the United States and more than half of the sunflowers. And we know that in the United States as a whole and North Dakota, as well, our citizens tend to be a bit overweight but, you know, there's only so much we can do. We can't eat all of the commodities that are produced in the United States. They must be exported and exported in opportunities out there where we have a level playing field. More than a quarter of the North Dakota population is employed in agriculture or ag-related jobs. Healthy exports mean more jobs in these sectors. We know that the Uruguay Round lowered tariffs on what and sunflowers and cattle to the benefit of North Dakota farmers and ranchers. But I dare say if you ask around this room I doubt if you would find one person who would say their Federal Government stands up for farmers and ranchers in trade negotiations. I'm not here to beat up the USTR or the USDA for the collapse of commodity prices. There are many complicated reasons for \$2 wheat and ten cents a pound for hogs, supply and demand, the Asian economy, economic concentration. It's too easy to scapegoat one agency or one group or one country even if it does make for good politics. But there really are cases of unfair competition by the European Union and Canada, and there really are times when our Federal Government just sits on their hands. North Dakota reaches the boiling point when we see the Federal Government failing to act when it can solve problems. If our United States government won't stand up and deliver the agreements that are in place right now, we will not have the public support for new agreements to be put on the table. You don't know how many farmers told me in recent years, you know, the Canadians can ship their grain through North Dakota, but I can't get a single bushel up there. Or why can't we move my cattle north of the border? And what

conclusion do you come to? Apparently, no one in Washington listens unless they're forced to. Governor Janklow in South Dakota took unilateral action last year to stop trucks bearing certain Canadian commodities without certification. Governor Racicot in Montana and myself increased our inspections, as well. The Canadians protested and then, and only then, did the USTR and the USDA say, well, maybe we can work something out. The result was an agreement last December that opened up the Canadian marketing system to more North Dakota commodities and we are seeing now livestock and grains moving north. The agreement also moved towards more transparency in the Canadian Wheat Board. But I'm pleased with the results of those negotiations. It's not the solution, however, to all of our problems. But when the USTR and the USDA engage with their Canadian counterparts and just as importantly listen to the states, we see positive results now that western premiers and western governors are talking trying to find regional and informal ways of resolving some of these conflicts. Just last week Premiere Klein and Governor Racicot supported and sponsored a gathering in Montana on agriculture trade issues. Canadians and U.S. farmers came out of that meeting saying, we should work together to understand each other better. If we can all start listening to each other, and to our WTO negotiators if you start listening to agriculture in the states, I believe then we can avoid some of the blowups that lead to barriers to a lot of our exports. I know you're saying, all right. All right. We're listening already. Thank you, I know you are. And I guess that's why you're here and calling this a listening session. Not every farm group that you will hear has the same view about the next round of WTO. Certainly, priorities are different, but broad agreement exists on a number of points. I know you will hear many details later, but I would like to emphasize the following areas which I believe are of consensus about the Seattle talks. (1) Agriculture is a priority. It is that the negotiators should make agriculture a priority during the upcoming talks in Seattle. To do so you should address agriculture at the same time as other issues rather than leaving it until the end. It's too easy to leave things until it's almost over and then walk out and say, well, we'll make a few concessions so we can all go home. It's easy to walk away giving what might seem to be small concessions but to our farmers are big dollar items. (2) The second point I believe in consensus is we have to stand up to Europe. The European Union is the world's heaviest subsidizer in the largest economy to erect barriers to United States exports. The billions of dollars that the European Union spends on supporting agriculture is the big reason I hear widespread sentiment for eliminating all subsidies. America is the lowest cost producer in the world, and we can compete in the world market against anyone if the playing field is level. (3) State trading entities. Continued existence of the STE should be premised on full price transparency. The ability of quasi-government monopolies like the Canadian Wheat Board to operate and set prices in secrecy allows hidden subsidies and distorts the marketplace. The lack of transparency is the major source of friction between United States grain growers and their competition in Canada. (4) We need to address genetically modified organisms. Negotiators should insist that markets not be closed to genetically modified organisms for political or protectionist reasons. Rule must be based on sound science, new strains of crops that can resist disease or survive hard winters. Their continued development will be very valuable in areas like North Dakota where the planting limitations and the environment limits are options. Sanitary and phytosanitary barriers. The SPS rules must be based on legitimate

science once again and they must not serve as trade barriers. The Uruguay Round was essentially correct on the substance, but there are a number of instances since 1994 where foreign nations used supposed SPS measures to restrict United States agriculture imports. Lastly, enforcement. Just as in the SPS area, there should be mechanisms to enforce the agreements to reduce tariffs. If our trading partners say they will lower tariffs and agree to it in the documents, they should follow through or they should be compelled to do so. Let me close by again thanking our hosts and thanking the panel members for being here. I believe the ultimate goal of the Seattle negotiations should be opening more markets. Creating more opportunities for agriculture exports from North Dakota and the rest of the United States. You cannot achieve that goal if you do not become strong advocates for agriculture. You need to recognize that our nation's farmers and ranchers can be the greatest exporters in the world if they're working in a framework that does not tilt against them. I want our negotiators in Seattle to wake up every morning and say, what can I do for agriculture today? Because, otherwise, there will be a lot of farmers and ranchers in rooms like this all over saying, why didn't you listen to us? Thank you for the opportunity to be here.

COMMISSIONER HUGOSON:

Thank you so much, Governor Ventura and Governor Schafer. We really appreciate your being here. I think that helps to illustrate the commitment to agriculture that, in fact, our states do have. I would like at this time to introduce our panel members and then they are going to proceed with their presentation. I just would mention that Secretary Cruea from South Dakota will also be taking part a little later. He had more traffic problems getting here from Pierre than even the Governor did from Maple Grove. So when he gets here we'll hear from him at that point. Under Secretary Guss Schumaker was not able to be here today. As of last Friday he got a change in schedule from Secretary Glickman, and so as a result Jim Schroeder the USDA Deputy Under Secretary for Farm and Foreign Ag Services is here in his place. Jim, maybe if you could stand so the people can -- can see you. I know you're going to be doing part of the presentation here in a little bit. Jim is a native of Illinois, most recently been from Colorado and has been at USDA, I believe, since 1993. He has been involved much with trade issues, has done a lot of globe trotting, so to speak, including China where he has spent a lot of time involved with trade negotiations there and I think takes off next week for Rome, as well. So we really appreciate your standing in for Mr. Schumaker and for the work that you're involved with. Teresa Howes from the United States Trade Representatives Office, she's the Director for Asian Agriculture Affairs, has been a Peace Corp volunteer in Thailand, most recently has been at the -- been the ag representative attach(e in Beijing in China, originally from Michigan. Teresa, we're glad to have you here, as well. Marc Baas from the Department of State. We promoted Marc to Ambassador, so we're glad to have you here. We appreciate your involvement. And I think it's significant to know that the State Department is involved with these listening sessions, as well, because, certainly, when it comes to the intricacies of foreign trade, it's imperative that the international relations between the countries are included, as well. So these three individuals, as well as some other folks from the Federal Government, we appreciate your being here. So with that in mind, we will proceed to the presentation that they're going to do and then we will get onto hearing from the members that have come here to testify.

AMBASSADOR BAAS:

Well, I have very short remarks because I think my colleagues from -- particularly my colleague from the Department of Agriculture will be somewhat more lengthy and I don't want to take up all the time. But I want to say, first of all, thank you for the introduction, and I should say that I also am from Michigan, but more importantly perhaps for the purposes at hand my mother grew up on a farm in Chandler, Minnesota, down in the southwest corner, a farm that my cousin still runs to this day. Anyway, some of you might be wondering why the State Department is taking part in these listening sessions, and really it's very easy. Our job is foreign policy, and we cannot do a good job of running the nation's foreign policy if we don't understand what's going on in trade policy. Trade policy makes up a very important part of our foreign policy. It's something that we pay a lot of attention to, that my office pays a lot of attention to. We have 100 -- we have embassies in 150 odd countries around the world. What are they for? Well, they're there to represent you to promote American interests. They are there to promote our trade policy. They are there to promote agricultural exports. They are there to find out what the trade policy is of the host country so that they can let us know what sort of things we ought to do in a negotiation. If we want the European Union to reduce export subsidies, which we assuredly do, maybe in a negotiation we need to know from our embassies in Europe that one thing that the Europeans are really interested in is increased access for widgets in the United States. So that's the kind of thing that we do. We cannot do it, however, if we don't know what you all want. You are our constituents, our first constituents, and that is why the State Department is here to listen to you. Thank you.

MS. HOWES:

Hello. And thank you, Commissioner Hugoson, for organizing this event. We're very grateful. This is a listening session, so I want to spend most of my time this morning hearing from our producers and agricultural industry representatives, but let me begin with a few brief remarks. The principles are agriculture trade policies, the Administration's view of the need for a new trade negotiating round and the major agriculture issues it's likely to address. To begin with, our agriculture trade policies rest on a few basic principles. They are opportunity, fairness, and respect for science. American farmers are the world's most highly competitive and technologically advanced. Most of this -- because of this, we produce far more than we can eat ourselves, and we need to be able to export to 96 percent of the human race that lives beyond our borders. And with 25 percent of total receipts coming from agricultural exports, we are and will be in the future increasingly rely on export markets to remain profitable at home. These have been the Administration's fundamental goals over the past six years and we have done reasonably well in achieving them. Most, fundamentally, through the WTO, we have created a set of international principles to ensure open markets and fair treatment for American producers. The WTO represents 50 years of bipartisan American leadership in the creation of an international trading system that brings down foreign trade barriers and promotes the rule of law in trade. It has raised incomes, created jobs and promoted American values of fair play and rule of law worldwide. We brought agriculture into the trading system in 1995 and the results have been quite good. First of all, the talks which created the WTO cut tariffs and created quotas where there was no access on farm and ranch products worldwide. We also cut foreign subsidies. We want consensus that health and food safety

standards should be based strictly on science and public health, rather than serving as disguised barriers to ag products. At the same time, we created a strong enforcement mechanism that makes sure our trading partners live up to their commitments, and we have been the most active users of this system. We have succeeded in 20 of our 22 cases and nine, nearly half, have addressed agricultural commodities from fruit sales to Japan to pork in the Philippines, to dairy in Canada and, of course, those with respect to the EU, where we currently have imposed sanctions over the banana case and have announced our intention to do the same for beef, due to the EU's refusal to comply with the WTO panel. And we have found new opportunities through a series of bilateral and regional agreements. Almonds in Israel, for example, beef in Korea, grains in Canada, pork and poultry in the Philippines, apples in Japan just to name a few. The most recent example, which is especially important to those of you in this area, is the bilateral sanitary and phytosanitary agreement we reached with China this April. This was made possible by the SPS agreement which went into effect in 1995. It has already lifted China's ban on citrus products, wheat and other grains from the Pacific Northwest and meat and poultry from all USDA approved plants. When combined with cuts in the Chinese tariffs on beef and pork to 12 percent, poultry to ten percent, and substantial increases in the import quotas for wheat and corn, elimination of the soil oil quotas, and the quota for sunflower seed oil, we will see a major increase in U.S. ag exports. At the same time, however, the work is far from done. Numerous trade barriers and unfair practices continue overseas. To note a few examples of special importance to this region, there are high dairy tariffs, unscientific meat standards in the EU, high subsidies, tariffs and non-tariff barriers on sugar. And we see a very disturbing trend in Europe toward the disregard of scientific standards in biotechnology which could present a major future threat to American agricultural exports. These issues and similar barriers to manufactured products and services led the President to call for a new round of international trade negotiations under the WTO. This will be the next major step in international trade policy, setting the world's agenda for the years ahead. It will begin when the United States hosts and chairs the WTO's third ministerial conference in November and our position as host and chair will allow us to shape the process and the agenda of the round. At the event itself, we hope to work toward consensus on a number of agreements. We expect the round to take three years and -- to conclude within that time, and we will address a number of issues beyond agricultural. Some, notably, liberalization of distribution services and customs reform will have significant benefits for farmers by ensuring that goods get to market in a timely fashion. And the agricultural issues themselves will be at the heart of our agenda. As Vice President Gore has said, our economy depends on a fully productive and competitive agriculture, and the round is our single, biggest opportunity in trade policy to make sure that American agriculture remains the world's standard. Thus in the months ahead we're beginning to set a specific agenda. Broadly speaking, we expect to address issues such as: Reduction of tariffs and barriers to our products overseas, promoting fair trade by eliminating foreign export subsidies and reducing trade distorting domestic supports, ensuring greater transparency and fairness in state trading, helping to guarantee that farmers and ranchers can use safe, modern technology, and in particular biotechnology without fear of trade discrimination and, lastly, ensuring that American producers have the right to effective remedies against dumping subsidies and import surges. As we prepare

for this work we are consulting with American industries, with Congress and with our trading partners to set specific objectives. We need advice directly from you as producers and others in the ag industry on the specific objectives we should set, and that is why we are here today, because the best way to find out is to ask you. We are here to listen to you as producers, experts and people involved in the food industry. We want to hear your priorities, understand firsthand the problems you see in international trade and agree on the major opportunities we should expect to realize. With the right objectives and successful negotiations, we can ensure access to markets for America's growers, ranchers and dairy farmers, as well as ensure safeguards against unfair practices in our market. We can raise living standards for American farm and ranch families. We can ensure good prices and healthy food for consumers and we can help to realize a broader humanitarian vision of a world free from hunger and with stronger protection for land, water and wildlife. This is a great opportunity for us. It's the second of 12 sessions and we look forward to hearing your comments. Jim?

SECRETARY SCHROEDER:

Good morning. I am Jim Schroeder, I am not Gerhard Schroeder. And those of you that are here for a talk on German agriculture policy are in the wrong room. As has been said, I'm also not Guss Schumaker, who I'm sorry he can't be with us. I'm your worst nightmare. I am a lawyer and a bureaucrat from Washington and I'm here to help you. If you're like me, you'd probably like a break right now, five minutes for coffee. Maybe there's some unreconstructed smokers still in Minnesota. But what I want to do is give you a little slide show, and maybe that will be a break. I apologize, normally I digress from my remarks and unfortunately I'm not going to be able to do that, so some of this may be a little repetitive but I think the slides will be interesting. In this day and age visuals are often helpful. And, by the way, a copy of these slides I think is in your packet for later referral. But what we're trying to do here is just summarize some of the things you've already heard and some of the reasons we're here and then, believe it or not, we will actually get to a listening session. But, again, I want to welcome you all to this WTO listening session. It's part of preparation for the third World Trade Organization ministerial conference which the United States will be hosting in Seattle next November, and the meeting in Seattle will kick off a new round of trade negotiations between 134 countries. Last year in Geneva at the 50th anniversary of the world trading system President Clinton commented on the importance of open trade to all nations. He also highlighted the need for the WTO to provide a transparent and open forum where business, labor, environment, consumer groups can provide regular and continuous input to help guide further evolution of the WTO. And that's exactly what we're trying to do here today and with these listening sessions around the country, to get your input and to help shape our agriculture trade policies for this next round of negotiations. We appreciate the time and effort you've made to attend this session. As we prepare for the beginning of a new round of multilateral negotiations it's critical that we hear and understand the issues that should be priorities for us. This will help in developing our U.S. negotiating strategy. Are you're fully aware, while our national economy has been booming along, it's been a year of struggle and hardship for many parts of rural America. We at USDA from Secretary Dan Glickman on down recognize that much of agriculture is going through a very difficult time. We are marshaling all our resources to address this

economic situation. So what we want to do in this brief presentation is to set the stage for our discussions today and we want to address three areas. First, the critical role that exports already play for agriculture. Second, the role that trade agreements have played in obtaining the current level of agriculture exports. And, third, our goals for the upcoming WTO round of negotiations. And after this presentation we want to hear from you who are the people most directly affected by agriculture trade agreements. We want to hear your experiences, what is working, what is not working and how we can move forward.

First is to point out that exports are critical for U.S. agriculture. You can see the statistics here. Even in this current downturn, about 25 percent of our agriculture sales are export sales compared with ten percent on the average for the rest of the economy. The vast majority, 96 percent, are potential customers for our products including all agriculture products live outside the United States. So I guess we can go to the next slide that shows that exports are -- are simply vital. Access to customers in foreign markets is a key factor. Compared to the general economy, U.S. agriculture's reliance on the export market is higher and projected to grow faster. We in agriculture are simply more reliant on exports than the economy as a whole. Now, our trends in agriculture exports, we have an overall trend that has been increasing. Our -- our exports climbed to a new high of \$60 billion in '96 which was up from \$40 billion at the beginning of the '90s. Unfortunately, exports have been down the last couple of years and we've heard some of the reasons and we're aware of those; the worldwide crop production, the Asian financial crisis, the strong dollar. So our exports last year were down and unfortunately we project exports down a little further this year. I would point, however, our volumes in many cases have held up pretty well. But when you compound the disastrous price decrease that trend line, of course, fell off. But everything comes around. We anticipate the economy -- the global economy is going to rebound and increasing exports are being predicted now and exports will account for a larger percentage of our farm income. The 1996 farm bill actually continued a trend which increases the market orientation of agriculture, and to be prosperous in an increasingly competitive market we must continue to export and increase our exports in areas where we have a competitive advantage. This chart shows some of that. For example, almonds leads the list. And we know we don't have too many almond trees in Minnesota, but we export 60 percent of that production. Export sales over a billion dollars annually. We have a number of agriculture products. Our productivity is increasing while domestic demand is, obviously, relatively stable. It grows much more slowly. So we've got to look overseas for expanding markets. Now, another factor which is interesting pointing to the importance of exports is how closely the level of farm equity has tracked the level of exports. Expanding export markets, while certainly not the only tool, is very important to help us get out of this current slump. Now, we have to be realistic. As I said, our exports are still going to be down this year. 45 percent of the world is still in depression, and so until this global economy turns around we're not going to immediately increase our consumer base. But in the long run we've got to look to that expanding export market. So what is the case now for trade agreements? A key to expanding export markets and increasing our access to consumers overseas is through trade agreements. We would not be at the level of exports that we are today if we did not have good trade agreements. And as this next round develops it's going to be important and particularly critical. Trade agreements have boosted exports. Soon after

implementation of the Uruguay Round, our exports reached their highest level. Now we can't control everything, as Governor Schafer mentioned I believe, exchange rates, other factors that simply are out of control. But all economists agree that lowering trade barriers through trade agreements is a critical factor in increasing exports. Trade agreements, of course, are a two-way street. We cannot lower -- expect our trading partners to lower their barriers if we don't lower ours. But we already have probably the most liberalized market in the world, and so we have little to fear from entering negotiations which seek to gain new access to other markets. We are efficient, we are competitive and it's in our interest to see others lower their trade barriers. It's estimated that by 2005 our exports, including agriculture, will be \$5 billion more annually because of agreements like the Uruguay Round. It's estimated that in 1994 we sold \$1.3 billion more beef and citrus to Japan, than if we had not had the beef and citrus agreement that we were able to negotiate with Japan. \$1.3 billion. So for export growth to continue we must move forward with our strategy of opening markets through trade agreements. NAFTA, NAFTA is, believe it or not, fulfilling its promise for agriculture. Our NAFTA partners, Canada and Mexico, have become more important destinations for our products, now accounting for over 25 percent of our export sales, surpassing even the European Union. In the first three years NAFTA we believe we can credit with three percent additional exports to Mexico and seven percent to Canada. And that growth, ten or 11 percent, for '97 and '98 was particularly welcome because that was at the same time when our exports were falling six percent in our leading Asian markets. We recognize that although we have achieved many benefits for agriculture from recent trade agreements the playing field is far from level, a lot of work has to be done. You heard both Governors and our Commissioners point out that our tariffs on average are much lower than our trading partners. On subsidies the EU outspends us 20 to 1. So we've got to continue to work to bring those back in balance and be sure that health and safety measures do not act as disguised protection. A major part of our strategy is to level this playing field in the next round. I mentioned the next round will begin in November in Seattle and involve 134 countries. We, of course, want to continue and improve in the progress from the last Uruguay Round in '94. To understand where we're going it's important to understand where we have been. I was talking to a reporter as we came in that we have to remember that we started this back in 1948. We have seven or eight rounds involving industrial products, lowering tariffs, working on trade barriers but it wasn't until '94 that agriculture was actually included, and now agriculture is the primary sector to be dealt with in the next round. So it took 40 or 50 years. We've just begun with agriculture. We hope to have learned a lot and move faster.

The other accomplishment I believe of the Uruguay Round, and it's been mentioned, you know for 40 or 50 years there was no Court. You had a dispute with Canada or Japan. And guess what? If you had an arbitration and the arbitrator said, yes, that's right United States, it couldn't be enforced. The Japanese, the Canadians could say, well, we're sorry. We don't like that. We -- we now have an actual dispute settlement system. We have a Court. And they make a decision and, believe it or not, it can be enforced. Now there are complaints about how long this takes, and we learn from any process and we want to improve this process. But, believe it or not, we actually have a Court now that can give an order and it can be enforced. I digressed from my slides, I was bad here. Just to recall,

you've been reading about our banana war. We now have our beef hormone case. We had a decision on Japan's restrictive quarantine requirements for fresh fruit, Canada's dairy policy on subsidies. We've won all those cases. It's taken too long. We're not there yet, but we now have a dispute settlement system which promises to actually have some results. So, again, as I said the Uruguay Round was only a start. It's contributed already to an increase in our exports and higher incomes for American producers, but it's just a start and we're now planning to move ahead. I mentioned the negotiations starting this fall. We hope that these will only take two or three years this time and not go on forever. The general expectation is that the negotiations should last three years with implementation beginning in 2004, and we hope that that will work, because a lot of the agreements that we made back in '94. A lot of those are going to sort of run out at the end of 2002, so that there's a lot of pressure or reason why we hope to reach some new agreements in a relatively short time. In setting this agenda, we want to build on what we've already accomplished. Tariffs were reduced in the last round, but they're still too high. Again, as has been mentioned, some countries maintain average ag tariffs of 50 percent or more while our average tariffs are about eight percent. It's our goal to negotiate further reductions in these tariffs. We want to expand market access under tariff rate quotas by increasing the quota amounts and decreasing the tariff outside the quota. On export subsidies it's a travesty. We want to reduce the elimination of these subsidies which -- which are used 80 percent by the European Union. They outspend us at least 20 to 1. We think we have strong allies here and this is a critical area for the next round. STEs, or state trading enterprises, has been mentioned. When a state trading enterprise has government authority and monopoly power, they have the ability to price their products artificially low and unfairly increase market share. It's important that we develop stricter WTO rules to ensure that state trading enterprises operate in a fair and transparent manner. Some of these hurt us not only on exports but on imports where many countries also have just one buyer. On the domestic support, again, trade distorting domestic support is being reduced under the present rules, but the job is not complete. A comparison of levels of such support shows that globally, including in the United States but particularly in Europe and Japan, domestic support remains high. Our goal is to make sure that the assistance other governments give to agriculture is provided in ways that do not interfere with markets. We support, I hope, our farmers and we try to have domestic programs which are beneficial and support our agriculture. And as Governor Schafer said, every democracy with farmers is going to have programs to help and support its farmers. The trick here is to do -- is to have programs which help farmers and help domestic food security but don't mess up the international marketplace and unfairly penalize other competitive producers. So I've mentioned some of these key issues; lowering tariffs, reducing or eliminating export subsidies, bringing down domestic support levels. Other issues, of course, include the existing strong agreement regarding health and safety issues, the SPS agreement. This is critical. We all want safe food for ourselves and our families and we all expect our governments and our health authorities to examine and protect us from bad food. But, frankly, many countries have used these sanitary or phytosanitary standards simply as trade barriers. We have a strong agreement. We have 130 countries that have said, we've got to do this on the basis of science -- sound science. And we want to protect that and -- and improve that principle. Trade reform through the WTO then

provides the biggest bang for the buck. In one agreement we'll have 134 countries, we hope, continuing to cut traffic barriers. Getting all these countries to agree on major reform will take time and effort. We've already completed preparatory work in Geneva. We're using the WTO Committee on Agriculture to identify places where current rules and commitments don't go far enough to open up our markets and we're using less formal processes to build consensus and prepare the ground for tough negotiations. Input from those who will be most affected, and that's you here today, is critical both at this early stage and as we move along. We need your support and suggestions, including any specific proposals you may have. Believe it or not, we want to

-- we want to hear from you. In all our activities we want to send a clear message to the rest of the world that agriculture is a top priority for the United States and we remain fully committed to open markets and fair trade. And we need your support and advice to make sure that the agreements that we enter into continue to work for American farmers and for U.S. agriculture. Is that the last slide? Well, we had a last slide which

-- the last slide shows our Internet and you can always, of course, use the mail or talk to us or reach us. And as the Commissioner said, what we're trying to do here is have a vital partnership effort between not only the Federal Government but the state governments and the private sector. So in conclusion, agriculture unfortunately -- or fortunately we're in a globalized industry. We can't control everything, but we can try to establish the best international rules for U.S. agriculture and our major opportunity is in this coming round which will be and should be focused on agriculture. And so we thank you for your interest and we do want to hear from you. I'm sure you're tired of listening to us. Thank you very much.

COMMISSIONER HUGOSON:

Thank you, Secretary Schroeder, and all of you that participated. The fourth member of our Commissioner/Secretary group has arrived from South Dakota and so Secretary Darrell Cruea will come at this point and share some comments. After that we will move into the -- to the listening part. Darrell Cruea was appointed the Secretary of Agriculture in South Dakota in September of '96. I believe it was by Governor Janklow and we have -- as you might guess, we do a lot of things together between Secretaries, Commissioners and Directors of Agriculture among the 50 states. And so it's always good to work together and today certainly is no exception. Darrell, we're glad to have you here and we'd ask you to share at this point.

SECRETARY CRUEA:

Thank you, Gene. It's good to be here. I'd like to just express my appreciation to the United States Department of Agriculture and to the United States Trade Representative Office for holding these listening hearings and allowing you, the producers, actually to have your concerns and your project solutions with regard to trade and marketing heard and something that we can come back and work on. I'll be brief. I want to address in the broadest possible concept the scope of the trade and policy issues that we have been experiencing here lately. It's my understanding that these sessions are to focus on the trade issues and policies that allow you, the producers and the processors of the North American food and fiber industry, to effectively accomplish two things; competitiveness and market access, at least in the continental and the world markets. I'm going to borrow three points from the proceedings of the fourth Ag and Food Policy Systems Workshop

that was held December last year in Winnipeg. The first point was that grain and livestock production are the foundation of the food and fiber industry in the United States, Canada and Mexico. In South Dakota our gross for livestock and crops runs about \$4 billion a year, but that's only 20 percent of what our total \$17.2 billion in gross agriculture products that are generated from direct and associated agricultural income. That -- that three to four is the foundation it generates in South Dakota, a total of 17 plus. The second point that comes out of the -- the meeting there was the substantial changes that are apparent in the grain and livestock industry are going to revolve around technology, product uniformity and consumer demand. And the impact on the regional harmonization is going to affect our trade issues and our allied markets. Let's talk about this technology just for a minute. The technology that is driving our situation is going to revolve around communications, biotechnology, such as GMOs, and marketing. We're back to marketing. The WTO and NAFTA adopted what we call the Montreal accord which adopted a series of important principles with regard to sanitary with the meat and animal and the phytosanitary. The accord agreements came down and made three specific statements. (1) Technical regulations were not to be used as non-tariff barriers. Unfortunately, they still are. (2) It also said that the principles of equivalency was established. Where standards are written differently but the effects are the same, they're considered to be equivalent and they're not to be used to prevent trade. Unfortunately, we haven't achieved that either. But we have achieved what Jim started to talk to use about, the situations of arbitration and dispute where sound science is being based as a determining factor. This is just beginning but it's getting on very well. (3) The third thing that came out of the Montreal base was harmonization of structure and policy. And this harmonization as we look at the alliances that are contained in NAFTA and WTO are critical to our market survival. Results will be seen basically as we harmonize in regional and geographic shifts in production and processing and will require a major change in the partnerships that we look at in the international business practices. Structural changes and harmonization in practices are going to consider such things as product labeling, both brand and point of origin; product grading; international and export subsidies which Jim alluded to in one of his slides; market access and transportation. Gene and Roger and I had the opportunity this past week to work with some North American producers on both sides of the border from Canada and the United States. Both producers demonstrated the ability to work together to point out the irritants that they found working with each other and actually to come up and develop methods to harmonize where they could work together in that aspect. Those of you who are here today are depending on State and Federal Governments to facilitate and enact some of those solutions and provide yourselves with a competitive market and the management tools you need to get the job done. It's our responsibility in the State and Federal Government to help you do that. Thank you again for the courtesy and I hope that you producers are very specific in your comments this afternoon. Thank you.

COMMISSIONER HUGOSON:

Thank you so much, Darrell, Bob don't go out yet. We are going to hear from Congressman David Minge by telephone from Washington. And I think somebody is going to go ahead and make the -- make the call. Maybe while they're doing that, let me just also take a moment to introduce a few people that are in the room. I hesitate to do

this because I'll run into some trouble, I'm sure. But, first of all, Tracy Beckman, would you please stand? Tracy is the State Director of the Farm Service Agency of the Federal Government here in Minnesota. We also have some state legislators from Minnesota here and I would ask them if they would stand, too. I've seen Senator Scavel (ph), Representative Bob Ness, Representative Julie Storm and Representative Ted Winter who is here, as well. If they would stand, please. Maybe they're out of the room, but I appreciate their being here, as well. We've got some legislators I know from South Dakota and some of them are going to be sharing some afterwards, so I won't mention their names now, but we'll get a chance perhaps to talk to them. You'll get a chance to talk to them, as well. I also would introduce Mitch Gross from the Iowa Department of Agriculture. Iowa is one of the places where the listening session is going to be later, so he's here spying to see what's actually going on. So, Mitch, good to have you here, as well. So are we -- are we ready? Congressman?

CONGRESSMAN MINGE:

Yes.

COMMISSIONER HUGOSON:

Gene Hugoson here.

CONGRESSMAN MINGE:

Yes.

COMMISSIONER HUGOSON:

So we have on the line Congressman David Minge from Minnesota's Second District. Herb Halberson from the Congressman's office is here, as well. Herb, stick your hand up if you will, please. Thank you. Congressman, if you want to go ahead, everybody is ready. Thank you.

CONGRESSMAN MINGE:

Thank you very much, Commissioner Hugoson. I appreciate the opportunity to join you in the meeting today. As you perhaps know, we also have the Crown Prince of Norway in the twin cities today, so this is truly a red-letter day for Minnesota. I'd like to begin by stating that there is certainly broad agreement that trade opportunities are important for upper Midwest agriculture. This has been the case for over a hundred years. We are a region that exports farm products. In fact, some estimates are that we export as much as a third of what we raise in crops in this region. It's also important that we avoid using food as a weapon in our foreign policy. Sanctions hurt the U.S. producers more than they hurt other countries and it's counterproductive. So I expect there's very broad agreement today as to the importance of trade and the importance of -- of eliminating sanctions. I guess as background I'd like to raise two additional points of concern, and in raising these points I wish to emphasize that they are not intended to detract from my commitment to the principles of -- of advancing trade and trade opportunities for agricultural products. The first point of concern is volatility. Volatility in pricing -- prices is devastating to U.S. farmers. This volatility is due in large part to changes in international supply and demand and it's also due to changes in currency rates. The United States farm and trade programs must seek to stabilize markets and the U.S. currency. I propose that the United States take the initiative in talks with other major exporting and importing countries to avoid dumping large quantities of grain and establish multiyear firm purchase arrangements. Certainly, we should join with our Canadian neighbors, Australia, the European Union,

Brazil, Argentina. These are the major grain exporting parts of the world and we all have a common goal in this respect. I know that there's unhappiness in some quarters in this country with the Canadian Wheat Board, for example; but I see that this is an opportunity to join with our Canadian neighbors to try to achieve the best possible price for American farmers, just like Canada seeks to achieve the best possible price for its farmers. Similarly, the United States should work through the International Monetary Fund, G-8 and other multilateral and multinational organizations to stabilize currencies. The strength of the United States dollar, at this point, has substantially eroded the price at the elevators for United States grain. And this is tragic, because our domestic market is by far our largest market, and when the domestic price is dramatically or substantially reduced due to international currency fluctuations it is extremely costly to the American farmer. The other point of concern that I wish to raise is production standards. Other countries' rules and regulations regarding the environment and workplace affect our competitiveness in international markets. An example that recently came to my attention is pork production. Water quality standards and manure handling requirements in our country are exacting. We're concerned about the environment. We recognize the importance of stewardship. But this can place us at a competitive disadvantage with hog operations in some parts of the world such as South America. Competition is accepted as a part of the marketplace, but this should not come at the expense of sound environmental standards. As a part of our trade policy, we must seek to harmonize environmental standards and their enforcement. And I urge that as we move ahead with our trade negotiations both -- both the USDA and the USTR recognize the importance of stability, eliminating volatility or controlling volatility and stabilizing currencies as one key point in this new era. And, secondly, that we seek to harmonize the standards under which farmers produce in parts of the world. I appreciate the chance to join you this morning.

COMMISSIONER HUGOSON:

Thank you, Congressman. We appreciate that. At this point we're going to begin our listening session actually into the listening. And so panel members, I guess, if you're going to take your positions up there. Do you want to take a break first? All right, we'll take a break. When we come back, let me introduce our moderator first, though, because then when we come back, she is in charge. Robin Kinney, a friend, has certainly been involved with agriculture for a number of years, a former farm broadcaster, will be doing the honors today of keeping all of us in line. And so let's take a five, ten-minute break, stretch a bit and then we'll come back and get going.

[Off the record]

[On the record]

MS. KINNEY:

We are running just slightly behind here, but with your cooperation we'll be able to get through a few housekeeping duties early on as our panel gets seated. Again, welcome to this most important process. It is your chance to share. The people that you have in front of you here have got a very willingness to listen. They are prepared to make possibly a few comments back so that we can have a good exchange, and that will all be depending on the presentations. Just a few housekeeping notes as we get started. You do have a list

of the times for the presentations. And, again, we are starting now at 10 o'clock and our first presenter will be Ron Olson. A few housekeeping for those of you that are on the panel and I'll repeat this a few times as we go through. We do have a timer set up. You'll notice a small light system here. It will be green as your comments are speaking and one minute will turn yellow, and when you see the big red flashing light that's when you'll see me stand up and get ready to try to summarize your comments. That way everybody will have a chance. We have had several people walk in wanting to present this afternoon -- or this morning and this afternoon. We will try to accommodate that with everybody cooperating. We should be able to have a full morning, full afternoon, and a good session. At 12 o'clock noon we will take a break for lunch. That is on your own. There are several fast-food restaurants in the area. There is a restaurant here in the hotel. We will reconvene promptly at one o'clock. A note to the media. You are invited to stay at 12 o'clock for a briefing session. Please just stay here in the front and -- and Michael Schomer (ph) from the Department of Agriculture will walk you through that. I will be calling the names of several of the speakers that, if you will, are in the bullpen on deck and up to bat. Up to bat this morning from the South Dakota Corn Growers Association if Ron Olson can make his way up, Bob Zelenka of the Minnesota Feed and Grain Association you will be speaking second and Niel Ritchie of the Institute for Agriculture and Trade Policy will be our third presenter this morning in this time lot. Welcome Ron. It's a pleasure to have you here. You will be speaking from here. And, again, as we get started our light system will be right on the corner of the table.

MR. OLSON:

Good morning, my name is Ron Olson. I'm a farmer from Waubay, South Dakota. My wife and I raise corn, soybeans and alfalfa. It was kind of hard to leave. We still have some beans to put in and hay needs to be put up, but this is important. Part of farming is marketing and -- and I believe in this. I'm Vice President of the South Dakota Corn Growers Association. It's an -- it's an honor to speak after two Governors and a Senator spoke, but more so more intimidating for a farmer. Being in the tractor for two months it's -- you kind of become a social introvert. So I'll try to get through this. I'm not a speech writer or a speech giver, so bear with me as I go through this. The United States farmers are efficient, productive and competitive in the world grain market. Exports of corn and corn products are most valuable than any other single commodity in most years. However, trade barriers and competitor's export subsidies hinder us from capturing full value of our competitive advantage. We need a level playing field to have full access to the world markets. United States policy must be clear, concise as it promotes fair and open global trade of our corn and corn products. We appreciate this administration's aggressive approach to trade negotiations. We are confident that the future multilateral negotiations can lead to significant further liberalization of agriculture trade. There's been significant progress in the Uruguay Round agreements on agriculture. We need to build that progress from a national perspective. We need to expand and strengthen agreements on market access, export subsidies, internal support, sanitary and phytosanitary measures. Market access provisions of the Uruguay Round agreements on agriculture require that non-tariff measures be replaced by bound tariffs and that tariff levels be reduced. Agriculture continues to be one of the most protected sectors with relatively high tariffs on many agriculture products. Although corn can be imported into the United States at a

very low tariff, U.S. corn exports face prohibitive tariffs around the world. When grain supplies are plentiful, U.S. corn effectively is kept out of the mix. It's important that the U.S. farm producers be able to build sustainable demand for their products. Restricted access makes that difficult and contributes to lower U.S. farm prices. Without consistent access to import market, it's impossible to develop new, consistent demand. That leaves the U.S. to be an occasional supplier. Prior to the event of NAFTA, that was the situation we faced in Mexico. Mexico bought U.S. corn as needed, but it was impossible to build new demand. As a part of NAFTA, Mexico agreed to tariff rate quota. For a minimum quantity of U.S. corn, the tariff rate quota created a market that did not previously exist. The EU is another example of market utilization of high tariff to keep foreign grains out. Although the EU agreed to reduce tariffs under the Uruguay agreement, the existing tariff is still too high to allow meaningful access with minor exemptions. Understand that there are current restrictions on the export of some biotech corn to the EU, but further tariff reductions will be necessary if the U.S. corn will be able to compete in the EU. China has great possibilities for the United States. China imports corn when supplies are low. Most of the time they deny access to their vast market. We appreciate the occasional opportunity to meet their needs, but over the long haul price volatility from the occasional sale is not healthy. We want and need the opportunity to compete in every market around the world. We hope that when the negotiations to bring China to the World Trade Organization are finalized the United States can export corn to China on a regular basis rather than sporadically. Export subsidies. The United States exports about 20 percent of the corn we produce in this country which is between 55 and 65 percent of the world corn trade. Ten years ago we exported more than 30 percent of our corn crop and controlled almost 80 percent of the world market. Other countries export subsidies make it difficult for our unsubsidized grain to compete even though the agreement on agriculture established a maximum ceiling on the quantity of export subsidies. Low quality European feed wheat continues to displace corn in several markets. One of our goals in the next round of negotiations is to further reduce export subsidies. Sanitary and phytosanitary measures. Under the WTO, member nations agreed to eliminate import restrictions that are based on arbitrary and unsubstantiated health and safety claims. The trade situation for corn is complicated by the status of products enhanced through biotechnology. In the European Union, biotech products are subject to multiple regulations. Corn and corn products considered unapproved transgenic events are handled differently. Last year the U.S. lost approximately \$200 million of corn exports to the EU because of unwarranted delays in the EU approval process. This year exporters are reluctant to bid for U.S. corn for shipment to the EU because of last years corn has not been cleared for import to the EU. These delays are unreasonable and frustrating to us. My neighbors and I grow biotech corn because it makes sense. It's environmentally friendly and cost effective. It makes controlling weeds and insect pests easier and less expensive. We are confident that the approval process in the U.S. is thorough and complete, assuring consumers of safety of their food and of the environment. We respect our customer's right to establish standards for products of biotechnology but being denied access to important markets because of tardy, arbitrary and unsubstantiated health and safety claims is not helpful. We urge the WTO will provide for reviews of the product of biotechnology that are scientific, risk based, rational and predictable. Companies which

seek approval of the new products should be reasonable expectations and applications will be considered on transparent and timely manner. Producers should be reasonable expectations that corn from seed approved for the U.S. will not be subject to barriers abroad. In conclusion, U.S. trade policy needs to be clear and consistently promote fair and open global trade to assure U.S. corn and its products full access to the world market. We need to be able to compete. Recent predictions for fair, strong Asian economy recovery over the next couple of years will mean nothing if important changes on the farm trade rules aren't made during negotiations in Seattle this November. Thanks for this opportunity to express my views.

MS. KINNEY:

Thank you, Ron. Are there questions? Yes, Ambassador Baas.

AMBASSADOR BAAS:

Thank you. Mr. Olson, I enjoyed your presentation. Thank you very much. I have one sort of question on -- on corn -- biotech corn and I'm glad you raised that issue. We spent a lot of time, all of us, bashing the EU and trying to encourage them to give those approvals and we are probably as frustrated as you are with the inability to get those approvals. One thing they have suggested is that we, the United States agricultural producer, could segregate biotechnology corn, BT corn, from any wheat or any grain, for that matter, from others and therefore we could send non-biotech corn to them and we could send -- use biotech corn in the domestic market. My understanding, I'm not a farmer. My understanding is that this is a very difficult and perhaps an expensive thing because of elevators and containers and ships and all that thing -- all that sort of thing. I just wanted your appreciation of that difficulty, if it is difficult, from a farmer's perspective.

MR. OLSON:

I believe it -- it wouldn't be terrible difficult. It's hard to get all farmers to -- to follow the rules. I mean do you regulate or control it, you know? If one farmer hauls in one load and contaminates everything else, how -- that's the biggest problem I see.

AMBASSADOR BAAS:

Is testing at the elevator sort of an impossibility I suppose?

MR. OLSON:

I guess I'm not, you know -- I don't know what -- I know you could test for it, but I don't know what the process would be for sure. I would think it would probably an expensive process.

MS. KINNEY:

Thank you, Ron.

MR. OLSON:

Thank you.

MS. KINNEY:

Bob Zelenka with the Minnesota Feed & Grain Association and to be followed by Niel Ritchie and getting ready Charles Ottem, please.

MR. ZELENKA:

Thank you very much. My name is Bob Zelenka, Executive Director of the Minnesota Grain & Feed Association, a 92-year old organization representing grain elevators, feed mills and farm supply companies here in Minnesota. I appreciate the opportunity to be

here today. International trade is vital to the future of U.S. agriculture with 96 percent of the world's consumers living outside the U.S. Obviously, a big factor for us. I do have a copy of my testimony. I'd like you to pay close attention to the WTO policy statement established by the Seattle Round Agriculture Committee, the SRAC, which was organized with the objective of coordinating the interest of varied agriculture and food organizations and companies that will be affected by the outcome of these negotiations. In that statement there are two things I'd like to touch on this morning, and I appreciate the opportunity to be second here today. The -- the SRAC WTO policy statement they have 14 policies and processes that they mention. One of their concerns is access of products of biotechnology, specifically genetically modified organisms as was mentioned by the first speaker. GMOs is something that is of big concern for grain elevators. Yes, there are tests available. It costs a couple hundred dollars per test. So, obviously, a country elevator handling three, four million bushels of corn particularly when you've got 20, 30 trucks lined up it's not going to happen. So we're solely dependent upon producers to be straightforward in telling -- and informing us if they're handling -- if they're selling to us a variety of GMO corn that is not accepted currently by the European Union. And, unfortunately, the GMO issue seems to be snowballing in the European Union with Portugal, Spain and then what happened last week in Austria. So we certainly have a real concern about that issue. We certainly would encourage negotiators to pay close attention to that issue and work hard to do -- address it. The concerns, obviously, are real. The interest is and at least the hope is that it's settled by this fall. Unfortunately, with the negotiations not even starting until November it's going to be a little late this year for dealing with the GMO issue. But, again, another issue in Minnesota talked about farm. 75 percent of the grain that's stored in Minnesota is stored on the farm, so there's a lot of grain storage on the farm. We handle the grain at the country elevator. Our biggest concern is that when we're loading 100 car unit train, 3,500 bushels per car going to the West Coast, it gets out there. They run a spot check at the terminals, which is where these checks will probably occur. They find GMO variety mixed in or blended in, that load is automatically going into the domestic feed use versus going export. It's going to cost us a lot of money in the country elevators and a big concern for us in the country. So, again, with the farmers' ability to gain nearly \$1 billion -- \$1 billion annually through the use of these varieties, it's certainly important to get this acceptance as soon as possible. The other issue I just want to touch on has to do with the phytosanitary agreements that are negotiated on various commodities with various countries. One of the issues that -- and again the SRAC WTO policy statement of maintaining sound science and risk assessment as the foundation of sanitary and phytosanitary measures is also something that we certainly strongly are in support of. In regards to these phytosanitary agreements, I'd like to take this opportunity to encourage you to do a better job in disseminating information and educating U.S. exporters about the agreements which in this case for people I represent are country elevators. We've learned the hard way by loss of time and thousands of dollars that phytosanitary agreements are very specific, require exact and concise information. The USDA Web-site in itself which is a source of some information related to these agreements is very difficult to follow and very difficult to understand for a lot of users. The process needs to be made more user friendly. I would encourage negotiators to realize when you're negotiating think about the people on the

other end of the country elevators. For example, we have 300 cars of soybeans currently going to Mexico. Regasa is the biggest buyer right now in Monterey, Mexico. Farmland was the broker. Country elevators are loading the trains. It's not the broker that does the sanitary certificates, it's the country elevator that has to fill those out, and it took weeks to figure out how to fill those out properly. And just the misspelling of soybean on this phytosanitary certificate held up a load for about three days. So these things need to be addressed and it means a lot to the upper Midwest certainly with Mexico being a big partner of ours at the present time. Regasa, the soybean processor in Monterey, Mexico, has in the last two years bought a lot of soybeans from Southern Minnesota. They look for higher protein and higher oil soybeans. The thinking was we didn't have those kind of higher oil soybeans up here. They are actually here. Why that is I couldn't tell you for sure, but I know that they're looking at buying and they're also looking at canola which I know canola is going to be touched on later. They're processing canola at Regasa and something to look at, as well. The last two things, carnobunt (ph). Country elevators, and this is not in my written comments by the way, but carnobunt, we are in association with elevators in I believe 20 some counties up in the valley have been participating in the carnobunt surveys annually for the last four years. I think we are carnobunt free now. I would hope that something will be done to -- to bridge that gap on carnobunt access to the -- to the marketplace. Last, but not least, I would like to encourage USDA and maybe the Congressional delegation here to -- to get behind the rehabilitation efforts of the upper Mississippi. We need a lot of work done on the upper Mississippi. The locks and dams are -- are aging. And we need to compete with Argentina which is spending billions of dollars to reconstruct a river system that's identical to the Mississippi River that we have here. It's a real issue that needs to be addressed soon. And we would, again, encourage your support and participation in that. With that, I'd conclude my comments. Thank you very much.

MS. KINNEY:

Thank you.

COMMISSIONER HUGOSON:

Any questions?

MS. KINNEY:

Thank you very much. Our next presenter is Niel Ritchie with the Institute for Ag & Trade Policy. Again, Charles Ottem is next and then Beth Nelson.

MR. RITCHIE:

We are going to have an interesting day, the panel is, sorting through the various opinions. On behalf of the Institute for Agriculture & Trade Policy, I'd like to thank the USTR and the USDA for giving us the opportunity to testify about our U.S. objectives for Seattle. IATP is a private non-governmental non-profit research and education organization with 32 staff headquartered here in Minneapolis. Steve Supan (ph) our research director and Sophie Murphy who is the senior policy analyst for international trade are both here with me today if folks have questions. IATP has closely followed and analyzed the development of the NAFTA trade agreement, the GATT Uruguay Round and the WTO and their effects on domestic agriculture policy, including the so-called Freedom to Farm legislation. Our testimony will be followed by written documents to substantiate some of our positions. The combined effects of NAFTA, GATT and Freedom to Farm have

helped push farm gate prices to record lows, far below the cost of production. The rapid consolidations in the food processing, agrochemical and seed companies have fostered anticompetitive practices that further erode the capacity of our independent producers to market their crops and livestock for a profit. Non-enforcement of U.S. laws has allowed corporate advocates of U.S. -- current U.S. agriculture trade policy to reap record profits while farmers and ranchers go out of business or work second jobs to subsidize their operations. IATP is deeply concerned that the foundations of our domestic food and fiber system, the independent family farmer, is being destroyed in order to bring down prices far enough to enable agribusiness to capture export markets. IATP along with a growing number of U.S. farm and commodity organizations believes that farmers and ranchers will be economically and environmentally viable only when competition is restored to the marketplace. Our position contrasts sharply with the view implicit in a May 5 USTR press release which stated that sessions like this one today will provide them the opportunity to, "Learn firsthand which issues are most important to farmers, ranchers and the ag industry as a whole and what trade policies would be most effective in helping to increase U.S. agricultural exports." With 70 percent of our agricultural production consumed here at home, it is illogical for the USDA and USTR to postulate exports as the main determinant of farm incomes and of commodity prices. We need to develop agriculture policies to sustain our producers based on the bulk of our market, not the markets of last resort. Without fair farm gate prices, that is prices above the cost of production, free trade is a deceptive euphemism or economic exploitation of our farmers and the degradation of their land and water. The USDA National Commission on Small Farms is one of many that have made recommendations to revive U.S. agriculture and our rural communities. While the USDA has adopted few of these recommendations, U.S. agriculture policy is largely driven by the dictates of exporters, processors and input companies, the main beneficiaries of current U.S. trade policy. The pursuit of export led development in the U.S. agriculture has been justified on the basis of USDA worldwide estimates for demand that a 1999 study by the Food and Agriculture Policy Research Institute, FAPRI, has said are chronically overstated. Countries will always strive to produce as much of their own food as possible, as indeed they should. Our economists advise developing countries to rely on imports for food security while devoting their human and natural resources to producing goods that will earn them greater revenues. Unfortunately, the collapsing terms of trade for most developing countries that's been documented by UNCTAD and the World Bank for much of the last two decades refutes this advice and also belies the argument that the U.S. should be trading to "feed the world." IATP believes that rather than pursuing further liberalization in agribusiness trade it's time to take stock of the impacts of the last round of WTO agreements both here and abroad and to repair the agreements where they do damage to our independent producers and to sustainable economic development. To continue agriculture policy on the promise of higher prices through greater exports is to ignore both the statistical evidence and the experience of every farmer who sells to processors or exporters at below their cost of production. There's a whole host of issues that are facing you and here's a summary of our position on a few. We support proposals to incorporate antitrust and procompetition policies in the next WTO round that would apply to all sectors including agriculture. Furthermore, we'd like to reiterate our support for an immediate implementation of a USDA Justice Interagency Task Force to investigate

and discipline anticompetitive agribusiness practices here in the U.S. We support the proposals to eliminate export subsidies, including export credit guarantees that allow corporations to dump ag products on world markets at below the cost of production. We support proposals to change WTO rules to encourage farmer owned reserves and government owned emergency food stocks. And we support proposals to restore previously successful GATT rules that permit import controls to protect small-scale producers which are responsible for the greater part of global food security. I see the time has gone. There's a couple more, but we'll get back to them. On behalf of IATP, I want to thank you for your time and your attention and we look forward to further interactions with you before and after the ministerial in Seattle. Thank you.

MS. KINNEY:

Thank you. Charles Ottem, Beth Nelson, Barry Coleman will be next.

MR. OTTEM:

Good morning. I'm Charles Ottem a farmer from Osnabrock, North Dakota, and chairman of the North Dakota Barley Council. My brother and I raise barley, wheat, canola, sunflower and flax on a 3,000 acre farm that my grandfather established 117 years ago. Interestingly enough, Marc says whether a future generation of farmers will be financially able to continue our operation greatly depends on the success of negotiations for agricultural trade reforms. My Governor mentioned that there was a lot of farmland needing to be still planted in North Dakota. Interestingly enough I finished seeding yesterday at noon and at three -- three o'clock yesterday a thunderstorm came through and dumped ten inches of rain on my farm and I had fully 1,500 acres under water when I left to come here. So, I don't know, I might have to go back and start all over again. The North Dakota Barley Council representing the state's 10,000 barley producers is grateful for the opportunity today to tell you how current U.S. trade policy and trade policies of other countries affect North Dakota barley producers. Barley has suffered perhaps more from trade inequities than any other agricultural commodity. Barley is historically a major source of farm income in North Dakota, second only to wheat in total acres planted and crop income. Although North Dakota remains the leading barley producing -- production state, it's barley acreage has decreased nearly 1 million acres or about 31 percent between 1993 and 1998. USDA projects that North Dakota's acreage will continue its downward slide dropping from 2 million acres planted last year to 1.5 million this year. Barley acreage in other states is showing similar trends. Many market forces are precipitating these acreage reductions, but none play a more significant role than our nation's current trade policy and the trade practices of other nations. The Barley Council has adopted a comprehensive list of recommendations for trade reform and believes that these recommendations if implemented would substantially improve an agricultural industry that has been weakened largely because of poorly conceived trade agreements. The Barley Council's trade reform policy is attached at the end of my statement for your -- for your reading. To keep my statements brief, however, I will only address what must be the two highest priority in agricultural trade reform; the elimination of export subsidies and the elimination of trade distorting practices used by state trading enterprises. I will quickly identify other trade issues that must be resolved. Since 1994 exports of U.S. barley have declined about 60 percent while EU exports have increased by about 70 percent accomplished exclusively through the use of export subsidies. We simply cannot compete

with the EU when it subsidizes its barley sales at a \$1.50 more a bushel. The EU barley export subsidies amount to about 30 cents a bushel more than what I receive today at my local elevator. Export subsidies must be eliminated immediately. Any proposals for a long-term phase out such as another ten-year phase in strictly and simply cannot be accepted. The EU has already had working into this agreement ten years to ratchet down its export subsidies and in that time it has literally bought the world barley market. While the EU's exports have risen dramatically, unfortunately U.S. trade policy has been to walk away from subsidized competition. The Barley Council also has great concern with EU's agenda 2000. U.S. negotiators must not allow the EU's agenda 2000 to be implemented unless it decouples production requirements from government support. The EU is undoubtedly our largest concern regarding trade -- regarding fair trade, but the trade distorting practices of the Canadian Wheat Board and the Australian Barley Boards have also taken a great toll on U.S. barley producers. Canada's barley exports to the United States have increased from 6 million bushels prior to the Canadian/U.S. trade agreement to as high as 71 million bushels during the 93-94 year and 40 million bushels last year. Not only have U.S. barley producers lost significant export sales under current trade agreements but we also have lost much of our own domestic market because of trade distorting practices of state trading enterprises. And while we sit here today, cars loaded with Canadian barley are crossing the border flooding our market, yet our government has yet to address the difficulties associated with merging two completely, very divergent and incompatible trading systems. The state run Canadian Wheat Board uses our free and transparent market to its advantage dumping barley and other grains into the United States at undisclosed prices. The Canadian government distorts trade further by exercising great control over freight rates, licensing and varieties, price pooling, freight pooling and a host of other market sensitive forces. Quite simply, we must not only require price transparency from state trading enterprises but also address other underlying governmental regulations and support mechanisms that provide STEs with unfair marketing advantages. The market and trade distorting practices including the underlying governmental support mechanisms of STEs must be eliminated. Other trade reforms -- I have a list of slide items for your review and -- and they're all included in the -- in my trade policy position which is at the end. There are those who believe agriculture should not be the number one priority in the upcoming WTO. That sentiment is dead wrong. North Dakota agriculture and perhaps the entire nation's agricultural industry can no longer afford any less than significant worldwide agriculture trade reforms. It is imperative that you, our trade negotiators, use information gathered here today and at these sessions around the nation to make substantial improvements in trade policy during the upcoming round of WTO. I thank you for your time.

MS. KINNEY:

Any response or comments? Thank you very much for your presentation. Beth Nelson with the Minnesota Canola Council followed by Barry Coleman of the North Dakota Canola Association and Jodi Slocum should be next. Welcome.

MS. NELSON:

Thank you, Robin. I'm Beth Nelson, President of the Minnesota Canola Council and also Chairman of the U.S. Canola Association Pesticide Technical Working Group. And my comments first will focus on a project that we started about a year ago on crop protection

for the North American Canola Industry. The Minnesota legislature appropriated \$100,000 to the University of Minnesota to be used for canola pesticide registration and harmonization. Since this is not just a single state issue or, in fact, a federal issue, it's an international issue, we worked very closely on developing a strategy that involved the Minnesota group, the North Dakota group, the U.S. Canola Association as well as the Canadians. Our mission of that strategic plan? The North American Canola Industry is dedicated to ensuring that North America is the leading world supplier of canola and canola products by identifying and registering crop protection tools using a sustainable systems approach and recognizing binational, economic, environmental and social factors. This goal will be advanced through improved and sustained cooperation of the Canadian and U.S. canola industries, our respective regulatory agencies and the international registrants. Currently, Canada has more than 40 products registered for use on canola and the U.S. has less than ten. However, infrastructure is completely reliant on cross-border transactions from seed to crushing and all the way through end products. So unlike wheat, barley and some of the others it is essential that that border stay open for our industry to survive in the U.S. This harmonization will provide the North American canola growers equal access to products and markets and will avoid potential cross border trade irritants. We are working with PMRA and EPA and they must continue to work together and have the main objective of having common MRLs and tolerances in both countries. This project was used as a model at a recent NAFTA technical working group meeting in San Antonio, Texas, and in order to harmonize and advance common MRLs tolerances for existing crop protection tools that are available in Canada or the U.S. but not available in both countries and joint registration for any new crop protection tools, it's imperative that we foster relationships with both the registrants and the regulators. We're currently prioritizing our list of crop protection product needs. We're identifying registrants' interests and ability to harmonize existing products. We're promoting the registration of new uses on these existing products, promoting joint registration and work share of any new products and then promoting the common MRLs and tolerances overall to avoid trade irritant issues. We feel this is a non-tariff trade barrier issue. And that's all the comments I'll have on that strategy. If people have questions, I can address that more. More directly to the WTO concerns. The canola producers support a level playing field for trade of products. That's the highest priority in the next WTO negotiations, elimination of tariffs and non-tariff barriers to imports, eliminate export subsidies and other government programs and activities which artificially distort the competitiveness of these products. We are also concerned about biotechnology and support negotiation of science based rules governing world trade and agriculture commodities and products containing genetic material. We don't feel genetically modified crops should have processing labels or segregation requirements. And we would like the WTO to be established as the official recourse and arbiter for disputes involving trade of biotech crops and products.

That's it.

MS. KINNEY:

Thank you, Beth. We'll move on to our next speaker then, Barry Coleman, Northern Canola Growers Association to be followed by Jodi Slocum.

MR. COLEMAN:

Thank you. My name is Barry Coleman. I am the Executive Director of the Northern Canola Growers Association and we are based out of Bismarck in North Dakota. Canola is a relatively new crop. It's been called the Cinderella crop in -- in North Dakota. And when I listened to Charles speak and -- and some of the troubles with barley and maybe a lot of the other troubles with a lot of other commodities, I certainly hope canola doesn't head down that road. So we're -- we're hoping to be able to avoid a lot of that. Canola is a very new crop. 70 percent of the canola grown in the U.S. is grown in North Dakota and in Minnesota they grow 20 percent. So Minnesota/North Dakota definitely grow the lion's share of canola in the U.S. As Beth had said, a lot of the industry certainly is dependent cross border movement of canola for processing in North Dakota. Our plants in North Dakota, we do not produce enough in North Dakota to fill our plants or to keep them processing at full capacity, so there definitely is a reliance on Canadian canola to come down to be crushed. The majority of it is consumed domestically, but we are certainly looking at export markets. Primarily Japan, China and Mexico are the three we've identified probably as the most lucrative export markets right now for canola. The Northern Canola Growers Association supports achievement of what has been referred to as a level playing field initiative for trade in oil seeds and oil seed products as the highest priority in the upcoming rounds, as we've already heard today. The OPF includes complete elimination of all tariffs and non-tariff barriers to imports of oil seed, oil seed meals and vegetable oils and also complete elimination of export subsidies and other government programs and activities which will artificially distort the competitiveness of these products. According to a 1998 study done by Aid Canada entitled, "Globalization of the International Oil Seed Complex," primary oil seed producers in all the main producer regions of the world will appear to be better off as a result of tariff reform under the level playing field initiative. The largest increases in production will occur in the most efficient oil seed production areas of which one is the U.S. Therefore, we strongly support this level playing field initiative. We also strongly support negotiation of science-based rules governing the world trade in ag commodities and products containing genetic materials derived from biotechnology. Recent experts have told us that our canola exports to the European Union could have tripled had we not had GMOs in the U.S. right now. So we definitely would like to see the use of science based rules under the WTO governing the export of these products. The WTO should be clearly established as the official recourse for an arbiter of disputes involving the trade in biotech crops and products. We also believe that countries that agree to tariff reductions or eliminations should be held to their commitments. Two years ago the chairman of the WTO Committee on Agriculture stated in a speech to the International Ag Trade Research Consortium, "Once something has been negotiated, ratified and grafted into the broader accumulated body of commitments and disciplines, other WTO members have a legitimate expectation, indeed a legal right, to expect that these agreements entered into will be implemented in good faith." Also as far as China's accession into the WTO, there were good negotiations made for U.S. oil seeds, primarily soybeans, in those negotiations. We strongly feel that the tariff levels for canola seed oil and meal should, if not achieve parity with soybeans, at least come closer to it. For instance, with soybean seed we understand the negotiations right now will have a tariff of three percent with no tariff rate quota, whereas with canola seed the tariff will be at 12 at percent. With soybean oil the tariff is at nine percent, with the tariff rate quote based on

the average of the '95 through '97 calendar year imports into China and canola oil will have a tariff imposed of 15 percent. So there's quite a disparity there with soybeans and canola. I think sunflower is probably kind of in the same boat we are, so we would like to see trade parity in those negotiations for Chinese accession. We also believe that the TRQs, the tariff rate quotas, should be eliminated. I see I'm out of time so, thank you.

MS. KINNEY:

You have -- you have a minute yet.

MR. COLEMAN:

Okay. We also support the Seattle Round Ag Committee's 1999 policy statement, "The establishment of a three-year goal for the conclusion of the negotiations by December of 2002," transitioning countries to provide an increasing portion of their total domestic support for agriculture in a decoupled forum as the U.S. has already done under the Fair Act and maintaining sound science and risk assessment as the foundation of sanitary and phytosanitary measures. Thank you.

MS. KINNEY:

Thank you. We do have two questions for you if you'd stay here. Terry?

MS. HOWES:

Just a quick comment on the vegetable oil duties in China. Actually, there is a parity or near parity, maybe a difference of one percent, for all the other vegetable oils and with no quota. The canola oil may or may not have a quota. We're not quite certain how that will work yet.

PANEL MEMBER:

Just one quick question, if I might. I gathered from your statement that your main competition is not other canola oil producers but more -- other oil producers. Is that -- is that fair or is that unfair?

MR. COLEMAN:

No, that's probably a fair statement at this point. Yes.

PANEL MEMBER:

Does the EU Produce a large or huge amounts of canola?

MR. COLEMAN:

I couldn't hear you. You said the EU?

PANEL MEMBER:

Yeah.

MR. COLEMAN:

They produce a lot of rape seed in the European Union.

PANEL MEMBER:

They do? Okay.

MR. COLEMAN:

Yes. Yes, the primary -- the primary competitors in the world scene for canola would be Canada, Australia and the European Union. And China produces a lot but, of course, they -- they have always consumed everything they've produced.

PANEL MEMBER:

But the main -- the main concern that you have -- I mean you're concerned about, obviously, subsidized canola production elsewhere, but also you're concerned about subsidized soy and -- and parity for -- between canola and other oils...

MR. COLEMAN:

Yes.

PANEL MEMBER:

...if I -- if I understood correctly.

MR. COLEMAN:

Yes.

PANEL MEMBER:

Okay, thank you.

MS. KINNEY:

Thank you very much. Jodi Slocum. I'm sorry.

PANEL MEMBER:

We're here to listen and I thought it was interesting, and I thought I heard something here and that is that canola folks are looking at the border in one way, and the barley folks are looking at it in another way. What I thought I heard the canola people saying is we want an open border, we want to work together, we're looking at Canada as sort of a cooperator/partner as we look at the world marketplace. What I heard the barley guys saying is they like the border, they look at Canada as a competitor. I got a different tone from canola and barley. Is that right?

MS. KINNEY:

I believe that's correct. I see a lot of heads nodding. Next is Jodi Slocum. She will be followed by Alan Roebke and then Duane Alberts.

MS. SLOCUM:

Hi. I'm here as a representative of Farmer to Farmer. We're a small group in Western Wisconsin working with local farmers and also working with farmers in Central America. Listening to the presentation this morning I was struck by how this feels like it's really approached from a big business standpoint, from the big businesses looking down from their offices at farms and farmers and trade, the view of grafts, percentages and dollars doesn't take into account local economies, local communities and local farmers. So I'm here to represent that voice. The success of NAFTA and GATT is disputable and from my view it's a disaster, and from our local farmers' view it's a disaster. When farmers in Southern Mexico grow corn one year and can't sell it because the corn coming in from the United States taking over their economy selling for less than locally grown corn in Southern Mexico, that's a problem. The next year those same farmers can't even afford the seed to grow the corn, so they don't grow the corn and the corn that comes in from the United States is completely unaffordable to the local economy. The people are hungry, there's no business and the farmers don't have their crops. That's a problem. And when we approach this important farm issue from big business down, we're not taking into account what happens in these small communities. And it's happening all over the world. Agriculture isn't like other commodities. We need local control, local support and subsidies. Our local dairy farmers aren't even paid enough to make it. And year after year we're watching them go down the drain, and that is what is the basis of our local economy. That's why we live where we live and why we choose the life we have. In Germany and France where there are good government subsidies, they have thriving local farms, small family farms and they have thriving local economies. And we're talking about, you know, throwing that out the window. Mr. Schroeder said we need programs

that help our farmers and don't mess up global markets, and I'm really not sure that's possible. We live in a democracy and we should have the right to choose what we sell and buy. When this is decided by representatives of big business, health and environment suffer. It's Europe's right to decide not to sell food that it finds unsafe. By forcing countries to buy and sell what business decides, it takes us down to the low -- the lowest common denominator. Words like scientific and safe science are disputable. Is DDT safe? We said no, but we are making DDT and we're selling it to South America and they're putting it on their bananas and we're telling Europe they have to sell their bananas regardless of if the DDT is safe or not. In a democracy these decisions are made by representatives that are elected to represent the people. This should be where these decisions are made, not by the World Trade Organization. It's critical that local farmers and citizens are represented. The World Trade Organization rules override our local federal laws, and that's wrong. When you make your decisions, I urge you to take these issues into account and to look from a farmer's viewpoint, from a local economy viewpoint and not just from the grass and the dollars and cents. It's easy to lose touch with the personal faith of these people actually growing the food. Get out and talk to the people in our communities. And that's all I have to say.

MS. KINNEY:

Thank you, Jodi.

MS. SLOCUM:

Any questions?

PANEL MEMBER:

Well, I suppose I ought to make a comment. The history, again, we've seen on our slides and from our speakers, that starting in 1948 after World War II, the Western Democracies led by ourselves, as well as our European allies, and at that time supported by Chinese and Russians, decided we'd try to overcome some of the difficulties we'd seen which had led to two world wars. And so we formed the United Nations. We formed the World Bank. We formed the International Monetary Fund. International organizations to try to deal with the world financial, political and development problems. In the area of trade we set up a thing called the GATT which was to try to bring some semblance of order and rules to the world marketplace and we've been on that road now for 50 years. And finally what we did in 1994 was to bring a little more structure to what with an organization like the United Nations, the IMF, the World Bank. A 134 nations agreed to that. Most of the world's democracies agreed to that and their elected representatives agreed to that, and that organization is a rules based, law based organization. It does not require any country to change its own laws. If you don't want to play in the game, if you don't want to obey the rules, there's a price to pay for that. But the WTO cannot effect the laws of the United States Congress. So if -- if we don't like something, we can go our own way. There may be a price to pay for that under this new world system. The problem we have, and what I tried to say is, all countries historically want to support and have a good sound agriculture policy and healthy farms; Germany, France, ourselves, the Scandinavian countries, Japan. And two things are happening. Number one, whatever we do the number of farmers is decreasing. It has for I guess a hundred years, not only in this country but almost in every country. But, number two, what we have all decided is let's try and support our farmers and our agriculture base, but let's try and do it in a way that's

least disruptive to the world marketplace. And so we all still have policies and programs to support our farmers, but we've all said is, let's see if we can't eliminate or reduce those programs which skew the world marketplace. And that ultimately is to the benefit of those producers and farmers around the world who can produce and want to produce good, sound, safe agriculture products competitively. So that's where we are. End of speech.

MS. KINNEY:

Thank you. Alan Roebke, you are next to be followed by Duane Alberts and then Jim Harmon.

MR. ROEBKE:

Thank you for coming to Minnesota, group. First of all, as a -- as a farmer and farmers across the nation that I talked to, the first concern that they have to you people in trade negotiations as first and foremost you look at reality of the marketplace and get away from the ideology of the world free market, because in this group here probably none of us will survive to see that. Obviously, we want to work for that direction, but the biggest challenge in world ag trade is to face reality. And looking at reality, one of the best comments I heard so far today was a Commissioner or Secretary from North Dakota talked about world inventories. The first thing I'd like you people to address is to see that all producing countries, when you start negotiating on grains, carry a minimum of 45 to 60-day grain inventory for world security and world soundness in business policy. We talk about the free market and we look at the free market. The reality is the world market has become a dump market. It's not based on a price discovery mechanism like the people in Chicago like to talk about. The reality is the world price is \$5 a ton, less than the United States price. And that is the challenge you guys have to -- people have to face is -- is face the reality that we have to get away from that. And we also have to face what was lost in the last round I believe is world currency manipulation. That also must be cemented in your mind; that we must have world -- currency is a major part of the negotiation when we look at overall world policy. The other concern is we talk about genetically modified organisms. I hope the first thing you can accomplish in Seattle when it comes to technology is the American farmer and the world farmer and the technology industry of the world is not producing an organism. We as farmers we spray and destroy organisms. Let's debate the issue of genetically modified crops and plants that have the potential to make the world environment more stable than it's ever been, and we cannot have a world policy that leads us away from using modern technology. And the concern -- you asked about Europe as far as labeling. The Europeans want to label the GMO crops because they want to use it as a -- as a false tariff. And we cannot allow that to happen with people going to bed hungry in the world because we do have the technology and the feasibility to feed everyone on the face of this earth. And I'm a Christian. Let's feed them with sound policy. And that is your challenge. When we look at reality, the things we want addressed as farmers, as countries such as China that enjoy a \$57 billion trade surplus with this country, take our main customer away, South Korea. They keep their internal price of corn at \$4 a bushel, or basically double the world market. And yet they take our South Korea market away from us at \$2 a bushel, and we as taxpayers give South Korea \$20 billion in aid each year plus we lined up about \$70 billion in loans to rebuild their economy. And we don't even go to the South Koreans and say, hey, on a

capitalistic, realistic business basis, you'd better buy from us or you'd better get your foreign aid from -- from China. Those are the kinds of things we need to issue. We talked about Canada here. Canada is basically -- in the recent announcements they're keeping us with their wheat sales to America. They dumped 90 million bushel of wheat to this country a year ago. That's equivalent of what we're giving to the Russians. We did not need their wheat. It did not solve a problem for Canada. The reality is the United States and Canada needs the same farm policy and they need to work to open markets. The Europeans, of course, are your biggest challenge and of the Europeans the French. The talk is they want to come with their own Freedom to Farm policy. The reality is they'll just use that as another way to subsidize their production. We have to be tough on the Europeans. That is your biggest challenge. The Australians and the other countries that talk about free markets and free trade, we're getting by the Australians, say about the marketplace. The reality is they have a currency that's under-valued that makes them able to prosper in today's environment, but they don't want to sell unless they get American dollars. So the currency, once again, is a major challenge. Brazil, we have to educate our people. We dumped IMF money down to Brazil this past year in the level of \$18 billion of taxpayer guarantees, a \$42 billion total compensation, and we found out that our Brazilian counterparts with currency manipulation that everybody in the multinational companies knew was coming about, turned that to their advantage, devalued their currency. The South American, the Brazilian farmer is better positioned to expand his production of soybeans this coming year than ever. Those are the kinds of facts and challenges that you people have. When we look at the overall policy in -- in our world, we have to look at country by country and face reality. That's all we're asking of you people, but that's a major job. And we talked about three years. In the major crops I'm saying react to reality. We are in the information, the speed age. The American farmer out here does not have time for you people to spend three years negotiating fair and sound ag policy. The reality is we should do it for six months and then address the marketplace the way it is now and go forward. We can't get tied up in three years in negotiations. We will not have any independent farmers back here. We need a fair and open market that looks at reality. And it's a big challenge, but I believe our government, these farmers out here, our Congress if they just face reality, we can address the issues that are devastating rural America. Thank you.

COMMISSIONER HUGOSON:

That sounds like a State Department question to me.

MS. HOWES:

I just wanted to mention that you pointed out a lot of the problems for which we're grateful and we'll look to you for some suggested solutions, as well. You know, it's a very complex process we're starting here and we hope that you view this also as a beginning to -- of an opportunity to give input and to work with us on ways of handling these specific problems in the overall general matrix that we create.

MR. ROEBKE:

The biggest challenge I also want you people to understand, simplicity is your main goal. High tech. What is high tech? Simplicity. And the trade negotiations have been concentrated on being too complex. The issues that we face in world agriculture are simple. We want to feed the rural people at a reasonable basis so efficient producers

wherever they lie in the world can be in business. The distorted policies today are distracting that and we're not feeding hungry people. And we're letting multinational financial companies get rich on our world policies.

MS. KINNEY:

Thank you. Just a note to our presenters. If you stay at the podium until questions or statements are asked, it will help with the transcription of this whole process of here. So thank you. Duane Alberts with the Minnesota Farm Bureau.

MR. ALBERTS:

Thank you, Robin. Good morning panel members. My name is Duane Alberts. I'm the district one board member of the Minnesota Farm Bureau Federation. I farm in partnership with my father and two brothers in Southeastern Minnesota near the small town of Pine Island. We milk 550 cows and raise 1,500 acres of corn, alfalfa and oats. And we appreciate the opportunity to testify before you today regarding negotiating objectives for the agriculture in the next round of trade talks in the World Trade Organization. Minnesota Farm Bureau represents over 33,000 member families in Minnesota. Our members produce every commodity grown in Minnesota and depend on access to customers around the world for the sale of over one-third of our production. Agriculture is one of the few U.S. industries that consistently runs a trade surplus, posting a positive balance every trade -- a positive balance of trade every year since 1960. The U.S. along with agriculture must be at the negotiating table in the next WTO round in a meaningful way with trade negotiating authority to assure that this trade surplus continues. I would like to focus my remarks on the objectives that Farm Bureau will be working on for the upcoming World Trade Organization negotiations. Higher living standards throughout the world depend upon mutually beneficial trade among nations. We urge that trade policies be developed that promote the growth in world trade. To this end U.S. negotiators must comprehensively address high tariffs, trade distorting subsidies and other restrictive trade practices in the new round of negotiations in agriculture. Farm Bureau supports expediting action on the next round for agriculture in the WTO. Our market is the most open in the world. We cannot sit idly by while our competitors trade openly in our market but deny us access to their markets on equal terms. We must begin the negotiations and conclude them as early as possible to put U.S. agricultural producers on a level playing field with the rest of the world. To this end we have set a goal to complete the agricultural negotiations by the end of 2002 to ensure that our producers gain increased market access in a timely manner. Second. We support a single undertaking for the next round wherein all negotiations conclude simultaneously. This format would prevent other countries from leaving the difficult agricultural negotiations until the bitter end while cherry picking the easier negotiations in other sectors. We believe that a short time frame for the next round coupled with a single undertaking approach will prevent long, drawn out negotiations that become too complicated to conclude expeditiously. Third. We must call for the elimination of export subsidies by all WTO member countries. Our producers cannot compete against the mountain of spending by our primary competitors like the EU. The EU spends in excess of eight times the level of domestic and export subsidies as the U.S. Data from the USDA and the European commission show that total EU domestic and export subsidy expenditures for '97 exceeded \$46 billion compared to \$5.3 billion spent by the U.S. This level of spending distorts world trade and

undermines U.S. producers' competitiveness in the vital export markets. Fourth. We believe that the new negotiations must include a recommitment to binding agreements to resolve sanitary and phytosanitary issues based on scientific principles in accordance with the WTO agreement on sanitary and phytosanitary measures. The provisions of the Uruguay Round SPS agreement are sound and do not need to be reopened. The U.S. has successfully litigated several SPS cases that underscore the strength of this agreement. Fifth. The next round should result in tariff equalization and increased market access by requiring U.S. trading partners to eliminate trade barriers within specified time frames. Our producers compete openly in their own domestic market with their foreign competitors but are shut out of export markets due to prohibitively high tariffs. We need to correct this imbalance for our farmers. All WTO member countries should reduce tariffs, both bound and applied in a manner that provides commercially meaningful access on an accelerated basis. Sixth. We must impose disciplines on state trading enterprises that distort the flow of trade in world markets. Every effort should be made to craft an agreement that sheds light on the pricing practices of STEs and ends their discriminatory practices. Our producers have lost too many sales to third-country markets due to the non-competitive, non-transparent operations of STEs. Seventh. We must ensure market access for biotechnology products produced from genetically modified organisms. Significant delays and a lack of transparency in the regulatory approval process for GMOs in the EU have heightened the need for science based transparent provisions governing bio-engineered products. We cannot continue to be held hostage to the EU's non-transparent, discriminatory procedures that deny market access for our GMO products. We must end the use of all non-tariff barriers to trade. Finally, our negotiators must make changes to trading practices that would facilitate and shorten dispute resolution procedures and processes. The process for a WTO dispute settlement case typically runs three years if the WTO ruling is implemented. We have seen in both the EU banana and the EU beef cases that compliance is not always assured. Our trading partners cannot be allowed to unilaterally weaken the very principles that we negotiated in the Uruguay Round. The expedited dispute settlement process for perishable ag products outlined in the WTO dispute settlement understanding should be modified to allow the procedure to be used if the aggrieved party requests it. In summary, we support liberalization in global ag markets that will result in true reform of the current trading regime and bring about fair trade for our producers. The U.S. has a tremendous opportunity before it to shape the agenda for the next round and should seize this chance to demonstrate to the world that we are committed to opening new markets for U.S. agriculture. Given the economic turmoil now being experienced in many of our important export markets, the launching of new negotiations to further open markets has never been more important. I'd like to leave you with one last thought. We should not depend solely on our trade negotiators. Global competitiveness begins here at home. Railroads need to be upgraded. Locks and dams need enlarging and many of our nation's farms and ranches need modernizing. Thank you.

MS. KINNEY:

Thank you, Mr. Alberts. Jim Harmon with the North Dakota Farm Bureau to be followed by Bob Metz of the South Dakota Soybean Association and then Don Louwagie of the American Soybean Growers Association. Welcome Jim.

MR. HARMON:

Thank you very much. My name is Jim Harmon. I'm the president of the North Dakota Farm Bureau and I'm here representing the American Farm Bureau Federation. Before we get going I would like to say I really enjoyed Alan's comments. They are ones to take to heart. I do have sympathy for the signer, though. You about gave him a heart attack keeping up.

I am a fifth generation -- or excuse me -- a fourth generation farmer from Carrington, North Dakota, raise irrigated potatoes for French-fries, durum wheat, hard bread spring wheat, barley, edible beans and flax. I'm also currently raising the fifth generation, I hope, of farmer on my farm. I have three boys who are very interested and I'd like to further that cause. And we are here I think in that -- in that effort, and I appreciate your being here. The North Dakota Farm Bureau has 28,000 members. The American Farm Bureau Federation has just under 5 million farmer members. While we're highly diversified around the nation and represent every aspect of agriculture, North Dakota I feel -- and I suppose every state in here is going to feel the same way. But I feel we're one of the most diverse agricultural economies in the United States of America, and as such, we raise a tremendous amount of each one of these products and to a large degree depend upon export markets. Upper Midwest producers are rightfully concerned with the negative trade balance in many commodities specific to this region and affected by cross border trading practices. The U.S. and its agriculture industry must be at the negotiating table in a very thoughtful and meaningful way to protect, to look out for the number one industry in this part of the country which is agriculture. I think we've been in the position before, but we have not had agriculture in the forefront. In fact, at times I don't know if it's been in our minds at all. We've been sacrificed at times for other aspects of industry and it's obviously been to our detriment. Strong national trade policies and international agreements are critical to the success of agriculture in this era of reduced price supports, reduced direct government involvement. We have the ability to be profitable, only if we're allowed to compete fairly in the marketplace, and to do that we have to have the ability to maintain and increase our share of global markets. And these depend on many factors, especially negotiation of strong agreements, proper enforcement of these pacts is also essential. This administration must negotiate increased market access for U.S. agriculture and built-in necessary dispute settlement mechanisms, to ensure timely resolution of all of these disputes. We raise a lot of food in the United States of America. We need to export a third of what we raise. Global food demand is expanding rapidly. Over 90 percent of the world's consumers live outside of the U.S. borders. It just seems like a simple equation to be able to capture some of that 95 percent of the world with a higher market share. It would also take care of some of our excess production which has to go to the export markets. While past agreements have opened U.S. markets to foreign imports, many of the world's agriculture markets remain highly subsidized and obviously protected. We are placed at a competitive disadvantage due to a growing number of regional trade agreements by our competitors. Yet the U.S. leaves it to others to form trade pacts and right rules for trade, our producers will die a slow death which we are doing in the global marketplace in the 21st Century. We are counting on all of you in Congress to ensure that the U.S. and North Dakota producers have a significant role in the negotiating process armed with trade negotiating authority. They need to rewrite agreements beneficial to our industry.

I'm running out of time.

MS. KINNEY:

You have one minute.

MR. HARMON:

I'll kick it in gear. It's essential that these new agreements include a recommitment to binding agreements in dealing with the sanitary and phytosanitary issues. Again, these are just trade distorting issues. They are protectionist. What we -- what we say, what we mean is that the individuals within the countries ought to have the ability to purchase GMO raised crops if they so choose. If they choose not to, great. That's a personal decision. That's what we are asking for, the ability for individuals around the world to have the personal decision whether to buy or not to buy as long as it's based on sound, scientific facts. I have to mention the STEs. Our trading partners, especially Canada, it should be a high priority for this round to craft an agriculture agreement that sheds light on the discriminatory and predatory pricing practices of STEs. Our products have lost billions in sales to third world countries and our own domestic markets due to non-competitive, non-transparent operations of STEs. It's essential that these become transparent. We should not be sacrificed to benefit other industries in the negotiating process. As I said before, it has been done in the past. It cannot be done in the future. A focused effort toward improvement of these areas and other areas of trade policy will greatly benefit U.S. producers in the future and ensure that I can keep my fifth generation on the farm. Thank you.

MS. KINNEY:

Thank you, Mr. Harmon. I believe we have a couple questions or comments.

COMMISSIONER JOHNSON:

Yes. Jim, I've got a question on one of the last points you made about GMOs which is I think a real vexing issue for all of us. I think you said that GMOs ought to be -- consumers around the world ought to be made aware so that they can make a choice if they choose to -- to buy those sorts of commodities...

MR. HARMON:

Absolutely.

COMMISSIONER JOHNSON:

...that they can and if they choose not to they should have that choice. This is an issue that a lot of other folks have talked about, but there seem to be different approaches on it. And one approach is we just go down the argument -- the road that I think our country has been taking which is they're safe, therefore you should buy them and no labels. You seem to be suggesting an -- an approach that, frankly, I'm a bit more comfortable with, but I'm troubled by how we go about segregating and labeling and all that kind of stuff. Do you have a comment about that?

MR. HARMON:

Yes, I'd like to comment on that. Thank you, Roger. We have in this country a lot of support for what's called country-of-origin labeling among our producers just so we know where -- where it comes from. In our industry just like any other business, the consumer is always right. The customer is always right. If the customer demands that they need to know whether that's a GMO product or a GMO free, there's a marketing opportunity there probably for someone who is raising the GMO free. But the point being that there's

still the opportunity for each side to be able to sell their product as long as everybody is informed on the issues and what they're buying. It's not impossible. It may be expensive at first. But if the customer is willing to pay for it, it can be done. The customer is always right.

COMMISSIONER JOHNSON:

Okay, thank you.

MS. KINNEY:

Yes?

SECRETARY CRUEA:

I'd like to take off a little bit, Jim, on that same avenue. I'd like for you to from a trade standpoint, differentiate country of origin versus point of origin, and the advantages that point of origin might have.

MR. HARMON:

Can you get some more specifics on the point of origin? You're talking about semantics in the difference between importing -- say if I imported a calf from Australia that beef down the line being identified as?

SECRETARY CRUEA:

Well, I think what we're all looking for eventually from the trade standpoint is the ability for trace back. And that, in effect, to the aspect of genetically modified plants rather than organisms...

MR. HARMON:

Uh-huh, okay.

SECRETARY CRUEA:

...as was brought up earlier...

MR. HARMON:

Okay.

SECRETARY CRUEA:

...type situation.

MR. HARMON:

I see -- I see what you mean now. I think that, you know, the consumer needs to know. The consumer deserves to know country of origin, point of origin. Anything they feel that they need to know about what they're consuming. I think that's just a right, a basic right that individuals ought to have.

MS. KINNEY:

Were there any other comments or questions? Thank you, Mr. Harmon.

MR. HARMON:

Thank you for indulging me.

MS. KINNEY:

Bob Metz of the South Dakota Soybean Association to be followed by Don Louwagie and then Paul Christ. Bob is not here. Is -- he has not checked in yet. Don Louwagie why don't we take you next then. I do know we had a few people that had a time constraint and might want to get on this morning yet, so we'll go in order. Welcome, Don.

MR. LOUWAGIE:

Thank you. I'm Don Louwagie from Marshall, Minnesota, where I'm involved in the production of corn and soybeans and some production of livestock and that mainly being

pork. On behalf of the American Soybean Association, Minnesota State Soybean Association and our state soybean farmers, I would like to thank you for the opportunity to present our recommendations on agriculture trade priorities for the next round of World Trade Organization, or WTO, negotiations. Gaining improved access to foreign markets is of critical importance to soybean farmers. Every other row of soybeans produced by growers is exported overseas in the form of soybeans, soybean meal or soybean oil. Soybeans and soy products are our nation's largest agriculture export commodity. Exports reached the \$9 billion mark in the 1998-99 marketing year. My economic livelihood, and that of all U.S. soybean growers, is linked to exports, market access around the globe and economic growth, particularly in the world's developing countries that account for more than four-fifths of the world's population. History has shown us that trade liberalization helps fuel worldwide economic growth, and as consumers' incomes in developing countries improve, one of the first places they spend their income is on food, which includes more meat and cooking oil in their diets. As the world's largest exporters of both soy and meat, U.S. farmers have much to gain from trade liberalization. Through the American Soybean Association and American Oil Seed Coalition, oil seed growers and processors have been working since the last round of trade negotiations to advance a market opening initiative for trade in oil seeds and oil seed products referred to as a level field initiative. The level playing field initiative proposes to eliminate all tariffs, export subsidies, differential export taxes and other non-tariff barriers to trade in oil seeds and oil seed products. We believe a level playing field will greatly benefit U.S. soybean farmers by giving us increased access to foreign markets, eliminating unfair export practices and stimulating demand amongst consumers. We believe the United States should vigorously support this initiative in the next WTO round. We strongly believe the negotiations should be comprehensive in scope. For many countries trade liberalization in agriculture is politically difficult and painful. Therefore, the scope of the negotiations has to be broad enough to ensure that countries being asked to make difficult concessions in agriculture can be assured of offsetting benefits in other areas. In addition to pursuing the level playing field initiative for oil seeds, soybean growers believe the following additional issues need to be addressed in the next WTO round. The area of biotech trade: Rules governing biotech trade must be included in the next WTO round in order to ensure science based regulatory reviews and trade rules. These WTO rules must supersede the rules of any other international treaty or agreement. Export restrictions: If we are to be successful in asking other countries to open their markets and rely on imports to meet a growing portion of their food needs, the United States and other exporting nations must agree not to restrict exports of agriculture goods through sanctions, embargoes or reasons of short supply. Meaningful provisions provide food security to food importing nations should be included in the next WTO agreement. Trade in pork and poultry products.: Fifty percent of the soybeans we produce are fed to the domestic poultry and pork industries. U.S. pork and poultry exports have climbed rapidly following the reduction in market access barriers in the Uruguay Round. This momentum is gaining market access for pork and poultry should be continued and accelerated in the next round. Treatment of development countries: Under current WTO rules developing countries are subject to reduced reform commitments and have a longer period of time to liberalize their markets. A country is also able to self-designate itself as a developing country. The

United States should pursue rules for the graduation of developing countries to full WTO obligations using objective economic indicators, such as a per capita, GDP. Sanitary and phytosanitary agreements: The sanitary and phytosanitary provisions of the Uruguay Rounds. These provisions help prevent bogus health or safety concerns from being used to restrict trade. In the next round it is critical to prevent the SPS agreement from being undermined or allowing for consideration of non-scientific concerns. Improved dispute settlements: Weakness in the current WTO dispute settlement system readily are apparent. The United States should not have to file complaint after complaint in order to achieve compliance with the dispute settlement panel that ruled in favor of the United States. Safeguards, antidumping and countervailing duties: The Uruguay Round agreement changed safeguard rules to allow countries to impose safeguard import barriers without penalty for three years. In the next round the right of affected countries to retaliate should be restored so that safeguard actions are not taken casually. Additionally, more effective WTO oversight is needed permitting unilateral protectionist measures such as countervailing duties and antidumping. Domestic support: Providing income in other support through agricultural producers has been a key feature of agriculture policy in many nations, including our own. WTO rules should allow for continued support of agriculture producers but should sustain transitional countries to provide an increasing portion of total domestic support for agriculture in a decoupled forum as the United States has already done under the 1996 farm bill. Labor and environment: Labor and environment issues should only be addressed in a manner that facilitates rather than restricts trade. The Blair House agreement: U.S. soybean growers and the U.S. government fought long and hard to achieve the Blair House agreement which limits the area of oil seeds in the European Union that can be subsidized. The Blair House agreement must not be weakened in any way and the U.S. should insist that any change in the EU policy do not nullify or impair the benefits provided by the Blair House agreement. That concludes my presentation. Thank you again for the opportunity to present the priorities of the soybean farmers for the next round of the WTO negotiations.

MS. KINNEY:

Thank you, Mr. Louwagie. Is Paul Christ in the room? All right, I'm going to take this opportunity then -- we have caught up thanks to you and we appreciate that. Representative Ness if you would like to make your statement followed by Dave Preisler. And then we will move to the dairy portion.

MR. NESS:

Thank you, Members of the Panel. I've been listening to many of the same comments for the last four months as Chair of the House Agricultural Finance Committee and Role Development and it's a very complex. And I understand it's difficult to, I guess, I liken it almost to like putting the tail onto the donkey. We've all got different bioptic visions of what we could or should do. The observations that I've had, and I'm going to try to just be real brief and to the point with all this, but the observations that I've had is that about, oh, early spring over in Wisconsin they had a hot air balloon flight scheduled. It was a beautiful day and they had about 400 balloonists there and the ground winds that day were five to seven miles an hour and it seemed like a perfect day, but 2,000 feet up there were gale force winds and it was impossible to fly. I liken that onto what's going on in Minnesota, and this agricultural crisis in our economy is that the acceleration of change

that's going on in rural America and in our ag community is far greater than we see at the ground level. And until we start dealing with the acceleration of change and those trends of change, I believe, that we're going to have the problems stay with us for a much longer time. And I -- I bring that into a little bit more focus by my observations are at least we've been so production oriented, and I just read a piece by Alan Greenspan that essentially said that our -- we've out produced our markets. And as we continue to focus on production our problem will only get worse and when we have overproduction prices are down. And somehow we have to balance demand -- or market demand with our capabilities to operate at a profit in the farm community. And somehow or other I'm not sure how we do that. There's a couple of things that sort of strike me and that's kind of the paradigm that we're just going to do more of the same. And we've been unable to break out of this box of we're going to increase trade, we're going to increase activity, we're going to somehow or other deal with the trade barriers and all the other issues that have been addressed here this morning. But what we really haven't talked about is increasing demand for Minnesota products. And for that matter Midwest agricultural production. And I don't know how we'd change that paradigm, but sooner or later -- and I traveled with the Commissioner and the Governor to China and was there and visited the folks at Beijing and Jinan and Shanghai and the ag leaders. And we're just trying to figure out how we can better create the demand for Minnesota products rather than say, we've got a lot, we just want to trade with you. And I observed that McDonald's was there and there was not a place to be seated in the McDonald's restaurant. You explain to me how they can do that. It's a marketing but more importantly it's helping develop the demand for good, quality agricultural products. We often use the reference of Danish hams or Canadian bacon. Why is that? There's a perception and perception is reality that that's better. And we do that. My biggest concern is somehow or other that we pull together as a Midwest region both in the livestock production and the commodity productions and -- and start thinking about how we develop market demand rather than trade. And if there is some way we can do that I believe the producers, the processors, the ag-business folks, everybody -- everybody that's in the loop will benefit. I mean it's a win-win for all of us. And we certainly look to Washington and -- and to the USDA for leadership in the coordinating of all these efforts. And somehow or other whether we're worried about that small family farmer being able to survive. I still think I've got to go back to the acceleration of change. And I see it almost at an alarming rate right now with mega-mergers, and if we're talking about even something as recent as -- as Farmland and Cenex, two major co-ops merging. And we look at the mergers of co-ops across the landscape. We look at all those things that contribute to the efficiencies of operations in -- in the production of agricultural products. I'm just not sure whether we can continue to stay that same course as the small family farmer and survive given the dynamics in the acceleration of change. But my bottom point is this; that somehow or other we've got to look at creating market demand to increase our market share. I can't think of another business out there that operates at a profit, that produces more than it can sell and still sell it for a profit. We've either got to produce something different or we've got to figure out how to bring all these dimensions of agriculture together. So whether it's mega-mergers or consolidations or corporate farms or integrations or networks or ledgers or co-ops or mergers of co-ops or the dominance of capital in the marketplace, as well in the

production side. We've got to bring all of those people together, going beyond risk management. And I don't know how you can provide us that kind of a leadership to redefine the paradigm that we've been in, more trade, more trade, more markets, but demand for -- for our products. And I would submit to you again, just as I said at the outset, that the acceleration of change in the agriculture and the production of agriculture is far greater than we realize and it's very similar to what I use as the analogy of a -- of the balloon flight. It seems fine here on the surface. We get by for another day, another month, another year, and still we're in the same situation, but everything around us is just spinning and we are at the -- at the front edge of that curve that helps us plan and adjust our efforts and our resources into a profitability for everybody that's dependent in the loop on agriculture commodities.

MS. KINNEY:

Thank you, Representative Ness. Dave Preisler to be followed by Paul Christ with Land-O-Lakes and David Livingston with the Family Dairies USA.

MR. PREISLER:

Good morning, my name is David Preisler. I'm here representing the Minnesota Pork Producers Association. In 1998 the U.S. pork industry exported pork to 115 countries. Many of these countries provided only the most minimum level of access to imported pork. Moreover, prohibitively high tariffs and other barriers in other nations preclude the export of any U.S. pork. The sheer volume of countries with trade limiting practices precludes me from providing you today with an explanation of each. But I am going to talk about two specific countries or practices that we believe are priorities for the pork industry. Japan is the largest export market for U.S. -- for the U.S. pork industry, generating sales of almost \$615 million in 1998 alone. The importance of expanding exports to Japan has never been greater. And we even have some personal examples of that here in Minnesota. We have two groups of small and medium sized farmers here in Minnesota that just themselves are exporting about \$12 million of pork to Japan. And, again, these are just two small groups of exclusively small and medium size producers. They are looking at -- at renewing their contract with the Japanese company and the Japanese company would like to double it as quickly as possible. These farmers, by the way, actually were profitable in 1998 which is a far cry from where most all of the other pork producers were in that year. And so this is an example of where trade can really work to help. Japan's pork import policy was among the most difficult issues dealt with in the Uruguay Round. Prior to the Uruguay Round Japan's pork import regime was directly linked to its pork price stabilization scheme. The price system still exists and still has an upper price ban and a lower price ban based on the cost of production data gathered by the Ministry of Agriculture in Japan. Before the Uruguay Round when the domestic price for pork exceeded the upper price ban, the import gate price for pork would be lowered for pork and vice versa when the domestic price fell below the price ban. Today as a result of that Uruguay Round, the gate price is no longer linked to domestic price stabilization system. As part of that round agreement, the gate price was first fixed and is now being reduced by roughly 13 percent over a five-year period reaching its final level in Japan's fiscal year 2000. So we have made some real progress. U.S. pork exports to Japan have increased under that agreement. However, we think that U.S. pork exports would explode if Japan's market was liberalized further in the upcoming trade round.

Greater market access to Japan is the number one country priority for the U.S. pork industry in the next round. The next thing I'd like to touch on briefly is the European Union pork subsidies and the effect that it's having from a distortion standpoint in the market. The largest exporter of pork in the world is Denmark. That country is the world's leading exporter for one simple reason, subsidies. These subsidies must be eliminated. Without these subsidies the Danes and other EU producers will lose market share in Asia and other foreign markets to efficient producers in the United States. The United States pork industry will be the primary beneficiary because the United States is the lowest cost producer of the safest, highest quality pork in the world. The EU pork regime came into operation in 1967 and has since undergone a number of changes with internal support measures playing a major role. The grain regime was introduced at the same time as the pork regime, and importantly pork is regarded as a processed grain in the EU. There are three basic methods of support that the EU is using. (1) is export refunds or export subsidies. These allow the EU to export surplus supplies under the world market preventing them from having a depressed effect on EU prices. (2) aid in private storage. These are introduced on a temporary basis to remove surplus supplies on the domestic market. (3) import tariffs and non-science based restrictions applied to non-EU product. Interestingly enough, as we got some comments from the person who is the -- in charge of the Danish agricultural sector acknowledging some of the restrictions that they're looking with, especially antibiotic use, saying that, yes, we know that there's no science here, and traditionally we make our decisions on science, but it didn't change his mind. And so he very much acknowledged on some of the things that they were trying to do from a protectionist standpoint. These three methods have led to wide distortions in the world pork market and how the EU fits into that, and it's also resulted in tremendously expanded production in the EU. And they are our competition. And pork prices around the world are at levels that are not sustainable at all. And with the type of subsidization that's occurring in the EU, they are some of the only places that we're seeing that may have some sort of a capability to come through this without some sort of change. Thank you for your time and I wish you well in Seattle.

MS. KINNEY:

Thank you, Mr. Preisler. Paul Christ with Land-O-Lakes to be followed by David Livingston and to conclude the scheduled morning speakers is Mark Mosio.

MR. CHRIST:

I'm Paul Christ representing Land-O-Lakes located north of St. Paul and Arden Hills, Minnesota. First I'd like to start out and just express some appreciation for a couple of events that have happened under the existing world trade agreement. The world -- existing world trade agreement is better than the situation we had before the existing world trade agreement. Two things recently happened that are very helpful to the dairy industry. One is USDA reissued the unused DEIP allowance provided under the original GATT agreement. DEIP is a program for exporting U.S. dairy products with government assistance. There are limits provided under the world trade agreement and some of it wasn't used. USDA has now reissued those allocations and we're going to make full use of the authority given us in the world trade agreement that we have now. The second is I would like to thank the Office of Trade Representative for their vigorous pursuit of Canada. Canada under the world trade agreement is required to allow a certain amount of

fluid meal products to be brought into that country. Canada has refused to accept those products up to this point. U.S. trade negotiators have gone after them through the world trade dispute mechanism, they won, it's being appealed and I think they'll win again and Canada will likely become in full compliance. This is a big deal for American dairy farmers, especially here in the Midwest because our fluid processing plants here in the Midwest do have pretty good access to some major market centers in Canada like Thunder Bay and Winnipeg. Before we enter into the new trade negotiations, there are two preconditions that we should take care of ourselves here in the United States. One of these is we should adopt fast-track authority. I think we will severely handicap our negotiators if we do not have fast-track authority where our negotiators can make final commitments on behalf of the U.S. government. Without that they're not really negotiators, they're just intermediaries between the final decision makers somewhere in Washington, maybe in Congress, and the negotiations. So we need fast-track authority. A second precondition I think we need very badly is the admittance of China into the World Trade Organization. China is the most populous country on earth, has one of the most rapidly growing economies and is a major player in world trade. If we ignore China, we're ignoring a major player. So we need to have China as a participant in the negotiations so that when we're done there's one set of rules that applies to all the other participants and applies to China. If we don't have China at the table, China writes their own rules, and we all play by a different set of rules. That's going to be very disrupting. Finally, I'd like to get at our specific recommendations, and you've heard the same list from a number of other speakers. Now, these recommendations are consistent with those of the National Milk Producers Federation and of the U.S. Dairy Export Council, both of which we are members. First would be to reduce internal agricultural subsidies around the globe. Internal subsidies promote inefficient production. And that hurts people who are efficient. That puts extra product on the market and the price is lowered and efficient producers are hurt. We need to reduce import tariffs on agriculture products. For example, the EU and, I can't remember the other one. Here it is. Canada and the EU have tariffs on dairy products of over 240 percent. That's an absolute trade barrier. That's not just making a little hurdle, that's an absolute trade barrier and those need to be eliminated. Japan has 1,000 percent on butter and that's an absolute trade barrier. So we need to relax -- get those trade tariffs down. We need to get them down where they represent little more than just a minor nuisance. I think a maximum of ten or 15 percent, but better off none at all. Non-tariff trade barriers, we run into this in the livestock industry in particular. We also run into it in grain and oil seeds with the prohibitions on GMO products in Europe. Beef, the issue of growth hormones. With dairy it's the quality attributes of the milk that have no effect on human health or human -- or animal health. Nevertheless, the Europeans, in particular, have adopted a number of these things that have no serious effect on human, animal, plant life or health and nevertheless they restrict imports. Now, the existing trade agreement should take care of that. We have a sanitary and phytosanitary agreement as part of that which says we're going to have world standards, everybody is going to agree on science-based standards and will allow free trade beyond that. Well, the Europeans say, "Science or no science, these are restrictions over and above anything that's done on a world basis." So we need to get rid of non-tariff barriers. Finally, we need to get rid of export subsidies. They work just the opposite of

internal subsidies. Internal subsidies encourage inefficient production. External subsidies discourage efficient production. So efficient producers get hurt both ways. World trade, free trade is good for everybody. It's good for efficient producers. It's good for the human race. It's the same as creating more resources or more wealth. The human race gets a greater abundance of goods and services at a lower cost with fewer resources being used with free trade. Therefore, we need to promote free trade. We have to adjust to get there. Everybody else has to adjust to get there. But when the adjustment is done, we're all going to be better off. Thank you.

MS. KINNEY:

Thank you, Mr. Christ. Our next speaker this morning is David Livingston of the Family Dairies USA and he will be followed by Mark Mosio. Thank you.

MR. LIVINGSTON:

Good morning. I am David Livingston, Vice-President of Family Dairies USA and a dairy farmer from Dodge Center, Minnesota. I want to thank Secretary Glickman and Ambassador Barshefsky for holding this public hearing on agricultural trade policy for the upcoming world trade negotiations. Like me, many of my neighbors operate small to medium sized family dairy operations. The most current USDA data shows that Minnesota lost 3,000 dairy farms between 1993 and 1997. Wisconsin lost 5,000 dairy farms during that same time period. Family dairy farms are the backbone of the upper Midwest dairy industry and our rural communities throughout the upper Midwest. We need to find a way to stop the loss of dairy farms because our dairy industry in this part of the country is bleeding to death. I am concerned that unless our government changes direction and stops supporting the self-serving trade policy of the Cairns' group we will lose even more dairy farms. It's time for the U.S. government to stop advocating the misguided trade policy of the Cairns' group of free trading nations at the expense of American family dairy farmers. The U.S. is being led by the nose by New Zealand, Australia, Canada and other members of the Cairns' Group and as surrogates in this country in setting dairy trade policies instead of looking out for the needs of its own dairy farmers. U.S. trade negotiators are making a major mistake by working to eliminate our tariff rate quotas. Internal supports and other vital safety net programs needed to keep family farmers on the land. Without TRQs our market will be open to a flood of low priced dairy imports from all over the world. Farm milk prices would fall sharply to \$9.50 per hundred weight or less and even our most efficient dairy farms would be forced out of business. The free traders assure us that there will be opportunities for America dairy farmers to export into the world market once all the import barriers and export subsidies are removed. That assumption, however, ignores the realities of the ongoing global economic depression and the ability of lower cost competitors to undercut us in what few export markets will be available. The only reason we had record high milk prices last year was because dairy unlike almost other major farm commodities is not export dependent. Instead of working to lower our milk prices we need to take a different road that strengthens our dairy markets and preserves America's family dairy farms. Our trade policy must recognize the multi-functionality of agriculture, the many benefits that strong and vibrant family farms bring to America's consumers, our rural economy, our environment and indeed our nation. Like us, the European Union recognizes the importance of strong family farms and is opposed to the Cairns' proposal. Our

government should be working to find common ground with the Europeans rather than blindly following the Cairns' group in setting U.S. dairy trade policy. Our Cooperative's president, David Krugg, of Owen, Wisconsin, was part of the dairy trade coalition delegation that testified before the European parliament's Agriculture Committee in Brussels on February 17. I am submitting Mr. Krugg's Brussels' statement and ask that it be part of the record of today's hearing. Unfortunately, our government is listening to bad advice on the zero for zero policy being pushed by countries that want unlimited access to our markets. The National Milk Producers Federation, the U.S. Dairy Export Council, the International Dairy Foods Association and other processor groups in this country support the Cairns' proposal because they're interested in lower prices for farm milk, cheese and other raw materials. While the processors support the Cairns' proposal, American dairy farmers at the grassroots' level clearly do not. It's time that our government understand this fact and the realities of the economics of the international trade and dairy products. Maybe then we would have a negotiating policy that doesn't threaten to destroy our family dairy farms and the rural communities that depend on them. I also want to stress the need for more grassroots' dairy producers' representation and farmer friendly procedures on the appointed panels that advise U.S. negotiators on trade policy, the Agriculture Policy Advisory Committee and the Agricultural Technical Advisory Committees. And I want to take this time to thank you for this opportunity to present our views. Thank you.

MS. KINNEY:

Thank you, sir. Our last scheduled speaker for this morning unless Bob Metz is in the room is Mark Mosio of the Multinational Strategic Marketing.

MR. MOSIO:

Thank you. I do not participate in the dairy sector directly in international trade. However, I do share many of Mr. Livingston's sentiments and having lived for 20 years in Europe, mostly in France, I have seen what the family farm and how supporting the family farm can maintain a structure -- economic structure and cultural structure at the local level and regional levels that support family values, principles, whether it be Christian or otherwise. And I would wish that members of the Board there would consider that. Multinational Strategic Marketing is just a small company firm working in the agricultural trade sector. Being small I can oblige to specialize in organic farming -- organic trade, rather, of agriculture products. I'm also committed and my company is committed to environmental sustainability and that's a policy which one rarely hears in international trade. Granted, trade in organic agriculture at present represents a very significant portion of overall agricultural trade. However, the organic sector is growing at nearly 20 percent a year. And you can very well imagine how difficult it is to market overseas agriculture products from the United States when you want to label them organic. Most overseas, especially in Europe, they're quite skeptical of what -- what is labeled organic and there are lots of incidences of problems in that area. I have three requests. First, that the use of GMOs not be allowed to endanger the production and shipment of organic foods. Second, that negotiations be carried out not to weaken labeling laws overseas but to strengthen them, and not only overseas but here in the United States strengthen them with respect to genetically modified organisms in our foods in addition to the use of radiation. Also, the use of sound science should include all pertinent scientific research and nothing

should be hidden from the public in that respect.

I believe I have a few more minutes. I'd like to respond to Alan Roebke's statement which I found very interesting. He denounces exploitation by large corporations. I'd like to mention that most of these large corporations are global; they work and operate, they buy and sell in foreign countries. They're not just U.S. corporations that support the U.S. farmer. If they feel they can make a profit elsewhere otherwise, they will buy elsewhere and otherwise whether they are buying soybeans in Brazil or wherever or barley in Canada and selling it to Europe. They'll do that. Also, he mentioned that modern technology should apply to organic -- should be applied to agriculture and used by U.S. farmers to feed the world. I say if this modern technology were used in organic agriculture, that is to say the same amount of investment, you would feed the world safely. And genetically modified organisms has not yet been proven to be safe. Thank you very much.

MS. KINNEY:

Thank you. Mr. Mosio, if you would step back to the podium for a moment.

PANEL MEMBER:

I was interested in the statement you made about sound science needing to include all science. Would you expand a little bit on that?

MR. MOSIO:

Just -- it's maybe hearsay, I can't document anything in particular, but it's been discovered by foreign sciences and research being done in legal systems that there's been some hidden research that has not been divulged, whether it be with respect to bovine growth hormones or otherwise. All research done by the manufacturers should be made public. That's what I was referring to.

PANEL MEMBER:

I guess I'd just like to sort of make a comment on that statement. As a bureaucrat, you know, one of those terrible kind of animals, we often hear that somehow we're hiding things or doing something and I -- and I really find that sort of hard to -- to take or to believe. Our first concern on the issues that we're discussing like GMOs or whatever is the health and safety of the American public. I mean that's what we -- we have no interest in harming the health and safety of the American public. And -- and certainly the U.S. government I believe, and I think it's true, would be the first to point to any evidence or any sound science that demonstrates that beef hormones or GMO "X" is a health hazard. And so I think this kind of conspiracy theory that something is being hidden is simply not right. I certainly share, however, I guess your bottom line that we need to hear, and we should hear all of the differing opinions, then scientists should make scientific judgments on those opinions and tell the American people, and indeed the world population, what it is they found.

MR. MOSIO:

Can I address that? I wasn't necessarily referring to maybe your organization as hiding anything in particular, but I do know that the USDA and everybody, I mean, this is a global world, a global economy. If someone in some other country might be getting sick because of the U.S. produced products, whether it be DDT or genetically modified organisms or tobacco, all that should be taken in consideration. You're not about to tell me that a lot of tobacco research has not been hidden by the manufacturers and the traders and the sellers in those companies. Thank you.

MS. KINNEY:

Thank you. We will again start promptly at one o'clock. Dave Frederickson of the Farmers Union will be on at one o'clock. I invite the media to move to the front of the room for their media opportunity and we'll introduce Michael Schomer from the Department of Agriculture to handle that briefing. One o'clock we will start promptly.

[Off the record]

[On the record]

MS. KINNEY:

Good afternoon. We'll try to start in two minutes. As we have our panel seated and I think our tapes are ready to go, let me introduce Dave Frederickson, the President of the Minnesota Farmers Union. And, again, I'll cover the ground rules here for presenters that have joined us this afternoon. You have five minutes -- about five minutes, a little better, to make your presentation. We do have a light. It will be green up until you have a minute and then it will turn yellow. And as presenters this morning know, once you get to five minutes it's a solid red and when it starts blinking red you seem to hurry up, and it's really been working very well. We also give the panel an opportunity to ask questions or to clarify. We would ask that you stay at the podium at that time so that your responses are also put on the recording. And with that I look forward to a great afternoon. We're ready to start this afternoon. President Frederickson, thank you for being with us.

MR. FREDERICKSON:

Thank you very much, Robin. With you as the moderator you can guarantee I won't take more than five minutes. Robin and I have known one another for a long, long time and I appreciate you being here today. Again, thank you very much Robin for the introduction. I'm Dave Frederickson, President of the Minnesota Farmers Union and I want to thank the officials from USDA and the USTR office for being here together with my friends, Commissioners Roger and Gene. Thank you very much for your participation in this process.

Your point regarding complicated, I think Robin is right on, and I think producers need to have a better understanding and if there's anything that USDA can do and the Office of the Trade Representative is to enhance producers' opportunity to learn more and more and more about this upcoming round in Seattle and to provide information to them. Certainly, I just found your Web-site this morning, as a matter of fact, and my compliments on the site. It has much information. I think information is something that we as producers across the country, particularly here in Minnesota, need. I'll just make a few brief points and I'm working on a draft, Mr. Schroeder, to submit to you in the next few days. But just some points. Going in negotiators must keep foremost in their minds that their work impacts all citizens, particularly all farmers of the world. So as you go through this process keep that foremost in your mind. Consequently, negotiators' work should reflect the best interests of people. The Farmers Union urges U.S. negotiators to seek green box exemptions for coupled commodities, specific income support payments. Decoupled payments often lead to higher land values and cash rent. We've witnessed that over the last couple of years with land values moving upward and cash rent moving upward regardless of the value of the commodity that's produced. Decoupled income

supports are not necessarily trade distorting instruments and certainly are not proven as such. Theoretical whole farm ag policy scenarios rarely are realistic responses to or predictors of international trade variables. A free market framework is not always the most effective way to achieve conservation or protection of the world's natural resources. I guess the example would be when Freedom to Farm and transition payments or AFTA payments are over, what's the hook? What is the hook to keep producers in compliance with environmental issues that are so important to many, many people across the country? We certainly want you to provide a mechanism for family farmers and ranchers in the United States that protects them from commodity dumping on the American market and also from international currency fluctuations. Farmers Union suggests a mechanism such as the Trade Adjustment Act that we've advocated. 1974 the TAA was put in place to assist workers who lost wages or lost jobs because of trade practices, and we see no reason why producers ought not fall under that same scenario. So we've encouraged the President and members of Congress to take a look at the existing law, the 1974 law TAA, Trade Adjustment Assistance Act, and see if there's some way that you can incorporate that act into the producer perspective. So if, in fact, we've lost wages because of -- of low commodity prices because of some trade practices, then ought not we be able to collect some kind of assistance under Trade Adjustment Act? We'd like certainly for you to consider that -- that as an option.

Make every effort to maintain and expand Congress ability and the ability of the governments of other nations to formulate U.S. ag policy and implement domestic price supports. This is critical in order to respond to the current agricultural crisis situation, such as the one gripping rural communities here in the United States. And, lastly, to seek country of origin labeling for all products. That's what consumers are asking for, and I believe that's what producers here in this country are asking for, and hopefully Congress and the administration can respond to that. So thank you very much for being here today.

MS. KINNEY:

Thank you, Dave. Thank you very much. Our next speaker this afternoon is Neal Fisher of the North Dakota Wheat Commission to be followed by Galen Affield of the Minnesota Wheat Growers. Welcome Neal.

MR. FISHER:

Thank you. Good afternoon, Under Secretary Schroeder, Director Howes and Ambassador Baas. My name is Neal Fisher. I serve as the administrator of the North Dakota Wheat Commission located in Bismarck, North Dakota. We provide export market development, promotion, research and trade policy services for an estimated 19,500 wheat farming operations within the State of North Dakota. We view this upcoming round as a prime opportunity to -- to provide a freer but fairer trade environment for our producers and we thank you for this opportunity to make our views known to you. However, when it comes to trade agreements U.S. farmers and those of us who are -- in particular who are located along the northern border have some justifiable apprehension. Since the Canada/U.S. free trade agreement became effective, we have endured a number of flaws in this accord that allow Canada to increasingly prey on U.S. producers and their domestic markets with their huge supply of spring wheat and durum. That happens to be the same commodities that -- that we produce along the northern border. NAFTA has perpetuated or possibly given the appearance of even legitimizing

some of these flaws. GATT helped reduce overall export subsidies, but the European Union was left carrying a much larger stick than we here in the United States. At the same time state trading enterprises, that is the Canadian Wheat Board and the Australian Wheat Board, were left pretty much undisciplined. Meanwhile U.S. officials it seems have chosen to unilaterally disarm American wheat producers in the face of this competition by laying aside the short stick we once had, that is, namely, the Export Enhance Program or EEP. As you might guess, export subsidies, the state trading enterprises and other matters are very high on our list of priorities in things to do. My written text provides a more complete analysis of these issues and there are some supporting graphs in the handout that also help to support these arguments. In the area of export subsidies, we urge that all direct export subsidies be eliminated immediately. If an immediate end to subsidies is not realistic, then it seems that U.S. wheat producers might need to have EEP reinstated if they're to try to compete in this global market. The United States has not employed export subsidies for going on four years, I believe, next month, but the European Union continues to do so and those subsidies have reached levels of \$1.10 a bushel in this year of 1999. The United States is storing a disproportionate share of the world's wheat stocks due to these inequities. We cannot sit by and watch our market share erodes further while our competitors employ these tools that we do not have or if we have them cannot use them. U.S. negotiators should adamantly resist any attempt by other countries to classify U.S. export credit programs as an export subsidy. These are the GSM-102/103 programs which are certainly not unique. Every other country that does major export business has a similar program. We find them to be in the category of minimal trade distortions and should not be challenged. However, to establish leverage on the issue of export subsidies with the European Union and other competitors, the U.S. administration should adopt an aggressive and fully funded export policy, that might include the restating of the Export Enhancement Program at its authorized level, optimum use of GSM-102 and 103 and the PL-480 provisions that are readily at hand. We do appreciate the progress that you've achieved in easing some of the sanctions with Libya, Sudan and Iran. We hope that exemptions for Cuba, North Korea and Iraq will follow. It's interesting to note that I was visiting with two Libyans at a recent U.S. wheat marketing seminar just a week ago. They were key players in their -- in their national importing agency. And they said that when the sanctions went on they immediately switched to Canadian and were fairly comfortable in staying there except maybe for the high prices that they were charged by the Canadians under that situation. In the area of state trading enterprises, or STEs, the North Dakota Wheat Commission also urges U.S. negotiators to require that state trading exporting enterprises become fully price transparent and work toward a free market system. As the sole exporter of their respective wheats, the Wheat Boards in Australia and Canada, are legalized monopolies, something we don't allow in this country if you look at the situation that is sort of ensnaring Microsoft right now. Beyond operating as a state sanctioned monopoly, the Wheat Board in Canada receives Canadian government subsidies in a number of direct and indirect ways; reduced rail shipment costs, government provided hopper cars, provincial warehousing, merchandizing cooperatives. The Canadian government and the Wheat Board also distort through mandatory grain cleaning requirements, set handling fees, highly controlled system for licensing of varieties, manipulation of the federal grading system year to year and protein and grade giveaways,

if you will. These pricing practices which often involve under pricing quality provisions are the equivalent to an export subsidy and should be treated as such. If the Canadian Wheat Board is relying on price discounts and other secretive practices to capture market share in other countries, it's also reasonable to believe that they might be doing that in this country as they overtake more of our market here. They refuse to disclose any of this information, so it's very difficult to tell. In the area of sanitary and phytosanitary measures, since the last round these have been sort of the barriers of choice, if you will, unfortunately. The current SPS agreement has -- has proven to be a significant step forward and we would wish that it would not be reopened lest it cause some intrusion of some of the other folks that might want to change it for the wrong reasons. In the area of biotechnology similar to SPS issues, we should ensure that sound science prevails in the relationship to biotechnology, particularly with the European Union where it has become increasingly sensitive because biotech is already an established part of the agricultural system in many countries and should be left alone. Global trade of genetically enhanced commodities should not be restricted once the testing has proven that it's safe for human consumption and the environment. In the area of market access, a lot of the non-tariff barriers were converted to tariffs but they are high at this point in many cases and need to be reduced. And closer to home, the Canadian ploys to restrict U.S. wheat moving into that market should also be scrutinized. In conclusion, we believe that the United States should be developing and enhancing its team of agricultural negotiators both at USDA and USTR and I guess that's exactly what you're doing by being here today. I think our light is blinking. I'd probably better depart from this. I thank you for the opportunity to appear today. We've gotten a few of the points out and you have my written testimony. Thank you very much.

MS. KINNEY:

Thank you, Mr. Fisher. Galen Affield. I probably pronounced that name wrong.

MR. AFFIELD:

Yes, you did.

MS. KINNEY:

I did. All right, I'll let you correct me as you get up here. You're with the Minnesota Wheat Growers Association. Welcome.

MR. AFFIELD:

My name is Galen Affield. On behalf of the Minnesota Wheat Growers and the Minnesota Wheat Research and Promotion Council I appreciate this opportunity to voice our hopes and concerns for the upcoming round of the World Trade Organization negotiations. It was Teddy Roosevelt who said, "Walk softly and carry a big stick." That would well define what we feel is the stance of the United States going into these negotiations, except for the part about the big stick. When it comes to wheat export policy, it seems as we have been walking softly these past few years with no stick at all. And it seems that the U.S. will be walking softly into Seattle, again with no leverage or big stick to influence changes needed in international wheat trading policy, particularly as it pertains to discriminatory tactics of our wheat export competition, primarily Canada and the European Union. We do thank the administration for the trade advances made with China and the step taken in April to ease economic sanctions on some countries. We hope that the exceptions from -- the exemptions from other countries will follow. Still the baseline

assumptions of the Freedom to Farm Act included utilization of the aggressive export policy of our government. This has not happened and U.S. farmers are experiencing very low prices in part because projecting -- projected exports are not materializing. One reason for the low U.S. wheat export is that there is no export enhancement program or expenditures for fiscal 1997 and only small expenditures in fiscal 1998. EEP is not currently being used in fiscal year '99 and exports are stagnant. Meanwhile, Canada and the EU continue to undercut us in our market -- wheat markets. EEP is one big stick that would strongly encourage you to use to its fullest extent. To gain the exports we need to improve the price picture of wheat. As well, let's say the U.S. Congress authorizes \$2 billion in spending for EEP in fiscal year 2000. That money would not be necessarily need to be appropriated, just authorized. This would be a key tactical move for the United States or our big stick, as one might call it, to signal to others that we mean business when we sit down at the negotiating table next November. We wish to highlight seven priorities for the upcoming WTO negotiations. We detail them further in our written testimony, so I shall only highlight them here. (1) We believe that the U.S. should establish as its highest priority the elimination of all direct export subsidies. We believe that the U.S. should use EEP as leverage on other countries to ensure export subsidies are eliminated completely. (2) Eliminate state trading enterprise such as the Canadian Wheat Board. This would end their discriminatory price practices. (3) Rules effecting availability of crop inputs such as crop protection products need to be harmonized. We cannot be competitive under environmental regulations more stringent than other countries. (4) U.S. negotiators should seek to eliminate inequities that persist between U.S. levels of domestic farm support and those of our competitors. (5) Fix the use of tariff rate quotas for better market access. (6) Leave the World Trade Organization dispute settlement process in place as it is the appropriate avenue for compliance on sanitary and phytosanitary issues. (7) Refrain from any new rules that would diminish the effectiveness of U.S. export credit guarantee programs. The future success of our wheat industry depends heavily on the outcome of the next round. Let's walk strategically into Seattle and let's not forget the big stick, because we strongly believe that the U.S. needs leverage that can and will be used to ensure that governments around the world negotiate in good faith to reduce and eliminate policies that hurt global trade. Thank you again for this opportunity.

MS. KINNEY:

Yes, Commissioner.

PANEL MEMBER:

I have a question on the fourth point you made. Something about we can't be competitive if we have higher environmental standards than other countries. And I missed the first part of what you said. Are you suggesting we lower our standards or others...

MR. AFFIELD:

Okay. Well, so we harmonize our chemicals so what they use in Canada we can use here. So the same chemicals that they're using up here in Canada we can use in the United States.

PANEL MEMBER:

And so the converse I presume would also be true in the event that -- that we say in our judgment we're not going to allow that -- that chemical to be used here for environmental reasons then what do we do if other countries still permit it?

MR. AFFIELD:

Right, because they're using the chemicals on their grain that are getting exported, so we have to have the same playing field that they do so we can -- if they're getting chemicals that's more -- cheaper to use on their crops that we can use them, too.

PANEL MEMBER:

Well, I need to follow-up just a little bit on that because I think the point that I tried to make in my testimony was that if we are held to a higher standard we ought to hold other countries that want to compete in our domestic market to that same standard.

MR. AFFIELD:

Right.

PANEL MEMBER:

Is that what you're saying?

MR. AFFIELD:

Yes. Yes.

PANEL MEMBER:

Okay.

MS. KINNEY:

Thank you very much. Dr. Patricia Berglund from the Northern Crops Institute to be followed by Amy. If you're here, you'll be on deck. Thank you. Dr. Berglund.

DR. BERGLUND:

Good afternoon. Thank you for this opportunity to discuss concerns about trade issues with you. I am the Director of the Northern Crops Institute in Fargo, North Dakota. Most of the issues you have heard this afternoon are concerns that we deal with also at the Northern Crops Institute. However, the main issues I wish to address this afternoon are, one, the unfair trading advantage allowed state trading enterprises; and, two, the importance of support for educating our consumer, in this case the international buyer of U.S. agriculture. First of all, I would like to tell you a little bit about the Northern Crops Institute and its role in international trade. The institute is a four-state regional cooperative for promoting new and expanded foreign and domestic markets for crops produced in the region. The four states include Minnesota, North Dakota, South Dakota and Montana. We have offered educational and technical assistance to buyers of northern grown crops since 1983. Our sole purpose for existing is to assist agriculture producers in developing markets for their crops. Because Canada and other state trading enterprises have the ability to impose immense regulations on producers regarding quality issue, it puts them at an advantage. Canada is of special concern to those of us in the northern growing region because of our proximity as neighbors, allies and competitors. The U.S. is second only to China as a destination for Canada's wheat exports. To quote the publication Grains of Truth about U.S./Canada Wheat Trade compiled by the North Dakota Wheat Commission, "Canada is a dominant player in the global market when it comes to spring wheat and durum." These are two major classes of wheat produced in the four-state growing region represented by the Northern Crops Institute. The Canadian Wheat Board is a government-backed monopoly operating without commercial risk. It handles about 20 percent of the world wheat and barley trade, far greater than any company in the U.S. The non-transparent monopolistic and predatory trading practices of the Canadian Wheat Board and other state trading enterprises need to be a priority in

future trade negotiation. As privatization of grain import systems continues, increased numbers of import customers require more information and training. Northern Crops Institute procurement programs highlight information that international buyers must know in order to purchase the quality of crop they desire. Grading standards, purchase contract specifications, the role and function of cash in futures markets, commodity analysis, strategies for minimizing risk, commercial export trading practices and export credit strategies are just a few of the topics covered in these procurement courses. Neal Fisher mentioned that we had met with Libyans recently in a course that the Northern Crops Institute put on in North Africa, both in Tunisia and Morocco trying to inform our buyers of how they can purchase what they need. Importers of commodities must know how to work with a multidimensional, competitive environment of the U.S. in order to purchase from us. In order for international buyers to obtain the quality of crop commodity they require they must -- to meet their buyers or customers' needs, it is imperative they learn how to specify exact requirements in correct language in the contract. Continued support for organizations such as the Northern Crops Institute, U.S. Wheat Associates, U.S. Grains Council, American Soybean Association and support for programs through USDA/FAS are required in order for the U.S. to continue to compete. The biggest competition for programs at the Northern Crops Institute is the Canadian International Grains Institute, or CIGI, in Winnipeg, Canada. The Canadian Wheat Board funds 40 percent of CIGI's 2.58 million, that's U.S. dollars, annual budget. The Canadian Federal Government funds the remainder. An article in the October '98 Feed Stuffs focused on the similarities of programs at CIGI and the Northern Crops Institute, as well as International Grains Program, or IGP, in Kansas. Here again the Canadian Wheat Board provides an unfair advantage in terms of market development. Its 40 percent funding enables CIGI to offer all expense paid trips and course tuition for international buyers. This is a luxury that cannot be provided on NCI's regional funding of less than 20 percent of the CIGI budget. There are no federal funds that support organizations such as the Northern Crops Institute. I wish to thank the many organizations in this room for providing funding for Northern Crops Institute program so that we are able to provide educational and technical programs for the buyers of northern grown crops. Organizations such as NCI cannot be fully successful in assisting agriculture producers to market their crops internationally with the unfair trade advantages of competitors such as state trading enterprises as the Canadian Wheat Board. The playing field for international agricultural trade must be leveled. Thank you.

MS. KINNEY:

Thank you, Dr. Berglund.

PANEL MEMBER:

Maybe I should make a comment or two. I was going to make a comment on EEP before. EEP, as you all know, is the export enhancement program which we used back in the early '90s. It has been authorized at increasingly lower levels the last few years and not been used. And, you know, my problem is probably the same problem as Secretary Glickman has. When your economists and your specialists all come in and show you that by using EEP you're really going to -- the most likely thing you're going to do is to lower the price in this kind of a market. You may move a few more bushels of grain, but you're not going to really accomplish your primary objective, and that is to effect price positively.

Furthermore, as we all know, in the past when we've used EEP, that does seem to create an opportunity for our Canadian friends to ship even more wheat south, which leads me to Canada. I was in Ottawa a couple weeks ago, you know, I don't like the Canadian Wheat Board. It's a monopoly organization. The problem we have is back in 1932 at the end of the depression, you know, we embarked on one series of agriculture reforms in this country and the Canadians, Australians and other folks did elsewhere. And the Canadians and Australians opted out for one system and we went another way and here we are 50, 60 years later. They love it, at least the majority. It's something we've got to deal with. We can't necessarily have everybody do exactly the way we do it. Now what we've tried to do is to get more transparency, to get more disclosure, to find out what they do and how they do it. And we think if we can do that and prove and show that it is a -- a bad system, then maybe we'll get more allies in South America and elsewhere to confront and perhaps get them to change that system. I must say I think we've made progress with the Canadians. We had a major agreement last year. We've had a number of discussions. If you've read your newspapers last week, just within the last month our friends at USTR had achieved a major victory with respect to their magazine publications, and just last week we reached a salmon agreement, which almost brought us to the brink of warfare up there outside Vancouver and Seattle last summer, wasn't it? So we're making progress with the Canadians. They're a smaller country than we are. They -- they can't figure out how they want to relate to us. They don't like it that their Quebec Nordiques are now in Denver and that Larry Walker is now in Denver. So we've got to work the Canadians and we've made a lot of progress. I am quite hopeful that as we go into the next round we are going to achieve some significant reform on state trading enterprises. So we'll see how it goes.

MS. KINNEY:

Thank you, Secretary. Our next speaker this afternoon will be Amy Germershausen. I bet you I'm nowhere near close, but I tried. And on deck is Allan Skogen and Allen you do have a fax waiting with Amy in the back of the room. And following Allan will be Sheldon Melberg. So Allan if you're in the room you have a fax waiting.

MS. GERMERSHAUSEN:

My name is Amy Germershausen and I'm the international sales manager for Froedtert Malt which is a division of the International Malting Company. And I'm going to continue on talking about state trading enterprises.

Froedtert is a medium size agribusiness. We manufacture barley malt by purchasing barley and processing it and we sell it to brewers and -- 95 percent of our sales go to brewers, about five percent to food users and distillers. We employ about 260 people in three Midwestern plants in Milwaukee, Wisconsin, Winona, Minnesota, and Chicago, Illinois. And I'll give you a quick and brief history of our export experience. We used the export enhancement program successfully to introduce ourselves into basically Latin American markets where Europeans had had quite a considerable advantage from coming up on 40 years of export restitution. The EEP program which was as we're all familiar with mandated to counter unfair trade practices, we used it to introduce ourselves and to make inroads into a market that was very heavily subsidized. With the finalization of the Uruguay Round of GATT negotiations, a phase down of agricultural subsidies on agricultural commodities was agreed upon and implemented. Despite Congressional intent

and the 1995 farm bill to continue the use of the EEP, we were able to use the EEP was not continued. However, we were able to compete in the international market without an EEP for a year-and-a-half and which I think counters the claim that the U.S. malting industry can compete on an equal playing field. The conditions changed. We had some relative changes in barley markets around the world and the continued support from the EU and Canadian governments and so we were forced out of these key markets. In one of our best years we were exporting between 12 to 15 percent of our production. We now export very little and the U.S. industry as a whole exports only to Mexico and Japan which are -- we've never used the EEP and to the Dominican Republic which was an EEP market but now we are able to maintain independently. The unilateral abandonment of the U.S. of the subsidy phrase agreed to in the Uruguay Round has serious implications for the U.S. malt industry beyond the loss of regional markets. The world beer consumption during this time period has increased which has also naturally increased the demand for ingredients and for processing capacity, as well. I have some charts attached to my written testimony that will show that. It will show the strong growths in exports of malt from the EU and Canada while the trend line in the U.S. has remained flat. The European Union has shown that they do not adhere to the spirit of the Uruguay Round agreement as shown by the increase both in the volumes of subsidized exports as well as the value in the recent years. The more troubling issue for us is the new malting capacity being planned in Europe. Canada in the last ten years has increased their malting capacity and in the same time frame the U.S. has, in fact, shut malting capacity down in the past year and we're considering future shutdowns. Faced with the discouraging prospect of competing in this market dominated by increasing subsidized sales, Froedtert Malt has participated in the formation of the International Barley and Malt Coalition for Free Trade. This unusual grouping of barley producer organizations, grain companies and malting interest was organized earlier this year with the express purpose to advocate a zero for zero objective for trade in barley and malt. The group proposes that all trade distorting policies be eliminated effectively permitting zero export subsidies and zero import tariffs. Exclusive importing and exporting powers of state trading enterprises must also be eliminated and countries should continue to decouple domestic support programs. The following is a list of coalition members and their official statement and interest. Since the organizational meeting a number of additional trade entities in the U.S., Canada and Australia have expressed interest and soon may become members. I think the interesting point is we're working as an industry. We've got the backing from the Alberta Barley Commission, the U.S. Grains Council, the National Barley Growers Association, as well as most of the major maltings in North America are committed to working through this and we are asking for the -- our mission statement is through multinational negotiations. World barley and malt trade will be liberalized by January 1, 2000, with the following zero for zero objectives: The market access, the complete elimination of import tariffs, import quotas, import licenses and other non-tariff barriers to trade on -- on barley and malt, all sanitary and phytosanitary restrictions subject to internationally accepted scientific review and to constrain the monopoly powers of importing state trading entities by making the import of barley and malt subject to progressively greater levels of competition with private traders. The export measures include the simultaneous implementation of the following liberalizations: The complete elimination of overt export subsidies, a prohibition

on export taxes on barley and malt and export state trading entities must operate at the risk of the market and eliminate their monopoly powers. And if a phase out schedule for export subsidies is agreed to, barley and malt shall be disaggregated so that each is separately disciplined according to the original base period, '86 to '90, that was used in the Uruguay Round. Scheduled reductions on each project will be -- product will be taken as if disaggregated reduction had taken place since the UR implementation. And we also include that domestic support program disciplines cannot be allowed to circumvent the intent of the market access or export measure sections of this mission. I've also included some quotes from some of the members of our organization. And we appreciate the opportunity to present this information. Thank you.

MS. KINNEY:

Thank you. As we call our next panelists up, I probably was amiss to not reintroduce our panel for those that are new to us this afternoon and may not be able to see their name tags. So starting on my right and your left we have Ambassador Marc Baas, the Department of State. He's the Director of the Office of Agriculture and Textile Trade. Seated next to the Ambassador is Teresa Howes. She's from USTR, Director of Asian Agriculture Affairs. Then we have Jim Schroeder, the Deputy Under Secretary for Farm and Foreign Agricultural Services. Our host for the day is Commissioner of Minnesota Agriculture Gene Hugoson and seated next to Commissioner Hugoson is the Commissioner of Agriculture for North Dakota, Roger Johnson. Our next speaker this afternoon is Allan Skogen. He's from the North Dakota Grain Growers Association. Welcome.

MR. SKOGEN:

Thank you. Good afternoon, my name is Allan Skogen. My family and I farm near Valley City, North Dakota. I'm here today representing the North Dakota Grain Growers Association which is a membership organization of 2,000 wheat, durum and barley producers. I serve as vice-president of that association and chair its Trade Committee. The North Dakota Grain Growers applauds the administration for its recognition of agricultural trade issues and for hosting these listening sessions. I appreciate the opportunity to be here today and offer -- and to offer our members' position on the forthcoming negotiations. I must emphasize the other dissatisfaction of the farmers that I represent that the negative impacts previous trade agreements have had on our industry. Trade agreements which allow state trading enterprises to operate in secrete competition with U.S. producers, agreements -- agreements that the U.S. participates in that tolerate obscene levels of direct farm and export subsidies of wheat and barley by the European Union, trade policies that allowed U.S. share of world wheat market to decline from over 50 percent 25 years ago to 30 percent today of the five major wheat exporting countries and allowed the barley market share to decline from 11 percent to 5 percent in the last six years. North Dakota barley, wheat and durum farmers are extremely unsatisfied with the trade agreements that have hurt us in the past. We are actively monitoring this negotiating session to continually assess the impact of North Dakota -- to North Dakota wheat and barley producers. We will adamantly oppose any agreement which does not appear to enhance our world market share of these commodities. The North Dakota Grain Growers Association urges the USTR to take conclusive action to eliminate the unfair trading practices by state trading enterprises, particularly the Canadian Wheat Board in the

marketing of wheat, barley and durum. The exporting of these entities both in the United States and to our export customers around the world has the identical price manipulative power subsidies as subsidies provided by other competitors. Once again our Canadian neighbors have displayed their unwillingness to cooperate in meaningful negotiations over these trade issues. We firmly believe that the Canadians do not trade fairly with us, but we are left unable to prove it because we are not provided with the access to the details of their grain procurement and marketing system. As in the past, it appears that the Canadians have carefully controlled the information needed to properly negotiate a fair trade relationship for these grains. We believe that at the heart of the problem in negotiating sound agreements with Canada is their lack of willingness to allow us to assess -- allow us access to the information which can be used to determine fairness in these issues. The world price manipulative power of the European Union must be addressed. The scenario is challenging enough when the Europeans compete directly with us in markets that we have developed, but only last year the Europeans has the audacity to ship a load of heavily subsidized barley directly into our own domestic feed market. The price distorting impact of these export subsidies must be tamed in these WTO talks. We cannot tolerate any longer the remarkable situation of past negotiations which have allowed the Europeans to incrementally lower their domestic and export subsidy levels compared to U.S. reductions. The ratio of reductions in subsidies have left the Europeans with substantial export subsidies and the U.S. farmer with the ability to use only \$550 million in export enhanced money, and we haven't used that since 1975 for fear of European retaliation. European subsidies must be lowered to a level equal to that in the U.S. and not simply lowered in a corresponding ratio. Nothing less will be acceptable. The United States negotiators must protect the decoupled domestic programs that help U.S. -- help assist U.S. farmers. Efforts to target federal management tools like crop insurance and conservation programs that do not affect world price should not be discussed in a WTO setting. Moreover, farm program transition payments or disaster assistance payments that are not tied to production should be protected in the negotiating arena. We must not give away programs that are beneficial to our own producers yet have no impact on world grain supplier price. Harmonization of regulations and available crop inputs must be addressed by the negotiators. Discrepancies in the availability of crop protection products and other inputs between the competing countries. Producers are expected to compete in the world marketplace, yet the regulations affecting their business operation costs are very different. In summary, North Dakota producers are feeling the effects of surplus production, world economic crisis and Canadian exports of grain into our country, as well as unfair sales to our customers. While Canada and Europe are often referred to as trading partners by the overall trade sector, make no mistakes spring wheat, durum and barley producers recognize them clearly as competitors. We can no longer be used as a sacrificial lamb in the name of trade balance between our countries. We have said it many times but it rings true and merits repeating, North Dakota farmers are amongst the best in the world and compete with anyone on an equal level, but we cannot be expected to compete with the power and the resources of foreign governments. Disciplining the involvement of our competitors' governments in their trade of small grains must be a primary goal in the WTO summit. Thank you.

MS. KINNEY:

Thank you, Mr. Skogen. Our next speaker this afternoon will be Sheldon Melberg of the Minnesota and North Dakota Sugarbeet Industry followed by Mark Froemke with the Grain Millers and Dick LeCocq of the Minnesota Cattlemen's Association.

MR. MELBERG:

Good afternoon. I am Sheldon Melberg, a sugarbeet grower from Hector, Minnesota, and today I am representing the 3,700 farm families who raise over 700,000 acres of sugarbeets in Minnesota and North Dakota and have a direct investment in our cooperatively owned sugar companies of over \$1 billion. Almost \$3 billion are generated each year in the two states by the sugar and corn sweetener industries. Over 800,000 bushels of corn are used for sweeteners. As a result, the market value of corn is increased by 25 cents per bushel, providing an additional \$307 million to corn farmers in Minnesota, North Dakota, South Dakota and Wisconsin. We provide a reliable supply of this essential food ingredient to consumers, the major food manufacturers in the Midwest at prices 32 percent below the average paid by consumers in developed countries. We do this all at no cost to the taxpayer. Make no mistake, the sweetener industry is an alternative value-added commodity that is the backbone of our extremely fragile rural community. Unlike other major commodities, our sugar farmers have no risk management tools for marketing. Therefore, our government rightfully limits the amount of imports of sugar into the United States as a legitimate response to foreign predatory trade practices and to provide price stability and a safety net to our farmers. Our country remains one of the top three importers of sugar in the world along with Russia and the European Union. We are the most efficient producers of beet sugar in the world and the lower costs than most of the cane produced in the world. This is why we have gone on record to support trade agreements we believe to provide fairer trade. Our sugar growers, however, are rightfully frustrated and skeptical about how current trade agreements have been negotiated and performed. Almost 75 percent of all sugar produced in the world is produced in developed countries -- in developing countries that are either not members of the WTO and have no obligations or are members who have received special and differential treatment and are exempt from many reform commitments. These countries have fewer commitments than developed countries and enjoy a longer transition period. We also understand that many countries are not yet in compliance with their commitments. In many cases they allow deplorable labor and environmental conditions that we do not tolerate in this country. The Brazilian sugar industry is cited by our State Department as using child enforced labor in their cane fields. The collapse of currency values in developing countries such as Brazil and Mexico have created massive problems for the world's sugar market. Our developed countries -- developed country competitors are the European Union and Australia. The European Union has internal price supports 30 percent higher than in the United States and uses massive export subsidies which today is currently at 25 cents per pound. Europe's heavily subsidized exports of sugar from the African, Caribbean and Pacific region are not even registered with the WTO as an export subsidy. Australia maintains a marketing monopoly and receives subsidies for their industry's infrastructure. The failure of the Uruguay Round to address these problems or enforce the rules has contributed to the current collapse of the world sugar prices which are well below any producer's cost production. Rather than leveling the playing field the Uruguay Round simply locked in the distortions and lowered the playing field. As a

result, it was the U.S. producers who have found themselves placed at a disadvantage. In summary, this is a brief sample of what the sugar world looks like and there -- these are some of our experiences with trade agreements. For our industry to support future agriculture negotiations under the WTO, a request offer negotiating approach must be -- must be used that recognizes that industries and markets are different with diverse characteristics and sensitivities. Sugar production is unique and has many unique problems. We must negotiate an agreement that does not put us at a disadvantage during the transition process. It is the only approach that can bring American agriculture together and keep us together throughout the negotiations. Experience has shown that using a formula or one-size-fits all approach in trade negotiations is not acceptable. The most important issue to address are the elimination of direct and indirect export subsidies and state trading monopolies. This will require those exporting countries to unilaterally adjust their domestic support system. Eliminating export subsidies should increase world prices and reduce the need to maintain high tariffs as a response to these predatory export subsidies. In closing I would like to say this is an industry worth fighting for as you go to the negotiating table. Rural communities, jobs, manufacturers and the most complex and sophisticated food industry in the world depends on our ability to compete fairly in the international arena. And we are perfectly willing to do so. We welcome the opportunity to compete farmer to farmer. We cannot, however, compete against the treasuries of foreign governments or poorly negotiated trade agreements. Thank you for the opportunity to address these concerns to you today.

MS. KINNEY:

Thank you. Our next speaker this afternoon will be Mark Froemke of the Grain Millers Federation to be followed by Dick LeCocq and then Justin Dagen of the Red River Valley Potato Growers. Welcome.

MR. FROEMKE:

Hi, my name is Mark Froemke and I appreciate the ability as a citizen to be here today and -- and talk. I represent the Bakery, Confectionery, Tobacco and Grain Millers Union, AFL-CIO. I spent 22 years in the sugarbeet industry in the factory in East Grant Forks, Minnesota. In fact, tonight at 12 o'clock I'll be punching in to do my eight-hour shift. And what I want to do is talk about is put a put a little human face on these discussions. We represent in the Red River Valley about 1,500 grain millers that work in Crystal's five plants from Drayton, North Dakota, to Moorhead, Minnesota. Counting the Renville, Minnesota, factory in Wahpeton, that puts it over 2,000 workers in these factories. Our towns that we live in are towns that in the main have lost population over the last 20 and 30 years. As agriculture has taken recession after recession, these towns have dropped in population. Stores have closed. And things -- hospitals close and things have gotten much tougher on the people in our communities. The sugar industry has supplied a lasting job, a good job with good wages, good benefits and also it's kept many family farmers on the land. The industry is a billion dollar industry in the Red River Valley and that money is spent locally. For us in the sugarbeet industry and as labor, AFL-CIO labor, we are not asking for anything special. What we're asking for is to maintain a fair playing field. If we have a fair playing field in trade negotiations, our American farmer can compete with anybody, and I can guarantee U.S. labor of AFL-CIO, bring them on, we'll take them on and we'll beat them. But we can't have a

situation where trade agreements, in fact, not only hinder but can destroy industries and jobs. A lot of times in this country we have made errors in judgment and industries have been lost. We do not want to see this happen to our industry. We also have a deep commitment to our communities and these jobs, these farms keep those communities alive and well. We also feel that with the Philippines and with Mexico we have been in a sense deceived a bit. We in labor in AFL-CIO we did not like NAFTA. We said it straight and loud and clear. We had a side agreement in the sugar industry that -- that it was supposed to protect the sugar industry and it was agreed upon by Mexico and the United States. We in labor still did not like that agreement, but the sugar industry thought it was best and we agreed to that. But today Mexico claims they know of no side agreement and now we are threatened with imports from Mexico. We also have very much concerns on labor laws. Mexico has stronger labor laws than the United States. It has stronger environmental laws than the United States, but these laws are not enforced. They're not enforced at all and we cannot compete with countries that do not support and do not have decent labor laws or environmental laws. Mexico itself does not even allow free trade unionism. President George Becker of the steel workers and his executive board went to Mexico and they were thrown out of a maquiladora plant. The Mexican labor unions are run by the government. We do not, as American labor, we are willing to have free trade as long as it's fair trade. We need environmental laws that rise things to the top, not to the bottom. The same with labor laws, let's rise to the top not to the bottom. These are things that are not -- are not things to be taken lightly. These are things that are important for every American and everybody in this -- in this world. We are also citizens of Minnesota, North Dakota, the United States, but we are citizens of the world. And it's our job as representatives of our unions and you as representatives of our government to raise that standard to the highest point, not bring it to the lowest. We encourage you at -- in November and December to take our concerns, look at them and come back with agreement that will be good, so I can look in the faces of my workers and say that you represented us to the best of your ability. And that you came home with the best agreement you could do that was fair for all American workers in this country and also for our communities. Thank you.

MS. KINNEY:

Thank you, Mr. Froemke. Is Dick LeCocq in the room? Yes, he is. We will take a five-minute break after Dick LeCocq's presentation from the Minnesota Cattlemen's. And when we return from that we will have Justin Dagen and Dwayne Maatz of the Red River Valley Potato Growers. But first we'll get through this presentation and I'll let you know what time we'll reconvene. Welcome, Dick.

MR. LECOCQ:

Thank you. I can sum up what I have to say in basically one word and that is frustration. The cattlemen are frustrated and becoming more frustrated every day, because we produce a good, wholesome, healthy product under stringent environment rules. Then when we try to sell our product, we meet up with trade barriers. From the EU ban on certain U.S. beef and restrictions on some patented commodities, it is unjust and unfair and not based on sound science. The Coyote Treaty puts U.S. producers and manufacturers at a competitive disadvantage compared to some countries when we're talking about developed and undeveloped countries. Some countries, such as Korea,

haven't lived up to their agreements to buy U.S. beef. In addition, I understand that beef is sold in Korea only in import/export stores while Korean products are sold freely in the U.S. market. And if you go to an import/export store you'd find many different products. When they go to the grocery store, I understand that the U.S. beef is not there. Country-of-origin labeling. We believe that country-of-origin labeling should be required on both sides of the border. Once people in other countries find out where all that good beef came from, we think that they'll want more. 80 percent of Americans want to know where the beef they eat comes from. The playing field. How many times have we heard that today? If the playing field isn't leveled soon, many of the beef producers out there that are now teetering in the brink will soon be bankrupt. Remember, beef it's what for dinner.

MS. KINNEY:

We will pause now and reconvene at, I'm going to say a quarter after two. We'll start with Justin Dagen at that time. So a quarter after two we'll come back into this room.

[Off the record]

[On the record]

MS. KINNEY:

A couple introductions I'm also going to make as you're reentering the room. One of the gentlemen is not in here yet, but as long as Herb Halberson (ph) is standing from Congressman Minge's staff, Herb Halberson is with us this afternoon, has been with us all day, as a matter of fact, and from Minnesota Senator Rod Graham's staff I'd like to have David Ladd stand. David is with Senator Graham's staff and was able to join us this afternoon. I also know that the Minnesota director of the FSA is also in attendance, has been most of the day, Tracey Beckmen, and I think he may still be in the hall. So we appreciate all of you being here this afternoon. And as we're all resituated and seated, again five minutes to make your presentation, some chance for response. We're just a tad early, so let me introduce to you Justin Dagen of the Red River Valley Potato Growers.

MR. DAGEN:

My name is Justin Dagen and I'm a fourth generation American potato farmer here from -- from Minnesota. And I say American because I am proud to be an American, but I am a fourth generation. My great-grandfather immigrated from Norway in the 1880's, settled up in the Red River Valley. This is big Scandinavian County, I'm sure you guys are aware of that, and Scandinavians do have a sense of humor regardless of what you've heard. And I'd like to ask you a question. Do you know why a Norwegian can't tell a joke timing? Today I'm here on behalf of the National Potato Growers Council for which I sit on the board of directors. The National Potato Council represents potato growers in all 50 states. Our growers' production has a farm gate value of over \$2.4 billion. The potato is America's favorite vegetable. You can bake them, boil them, chip them, fry them, slice them, dice them, hash them, mash them. They're very versatile, they're very economical. Our potatoes are sold domestically and in export markets in both fresh and processed forms. Total export value for both fresh and processed potatoes is over \$700 million. And I appreciate the opportunity today to discuss our industry's concerns and our goals for the new round of multilateral negotiations in agriculture. We ask that you as our key negotiators on agriculture incorporate these into the U.S. government's objectives for

these negotiations. What our industry seeks most from the upcoming agricultural negotiations are two things. First, we need liberalized and predictable access to foreign markets for our fresh and processed potato exports. This means reduced tariffs and the removal of scientifically unjustified sanitary and phytosanitary restrictions. Second, we need assurances that trade distorting subsidies in the potato sector will be disciplined and reduced or eliminated altogether. Subsidies in Canada have been a longstanding issue for our industry and one that we have yet to receive any relief from. U.S. potato growers are skeptical, however, that the negotiations will, in fact, achieve these benefits for our industry. Our concerns emanate from our experience with the Uruguay Round, NAFTA and the U.S./Canada free trade agreement. Despite the liberalization goals of these agreements, U.S. potato exports still face high tariffs in many export markets, unjustified sanitary and phytosanitary restrictions and increased competition from a growing Canadian industry that still benefits from direct and indirect government aid. To correct the shortcomings of the prior trade agreements we urge four specific improvements to the Uruguay Round agreement and one new area that we propose be covered in the upcoming negotiations. A more detailed description of our goals is included in my written testimony which I ask be made a part of the record for this hearing today. The first area where we urge improvement is tariff reductions. Here the National Potato Council supports the early, voluntary, sectoral liberalization initiative for processed foods, including French-fries endorsed by the Asia Pacific economic cooperation countries. We would like to see tariffs on fresh and processed potatoes go to zero or at least at a minimum be substantially reduced in all WTO member countries. In the Uruguay Round many of the Asia Pacific countries, some of which are our best markets, were considered developing countries and as such were required to make only minimal tariff reductions and from extremely high base rates. Thus, while U.S. tariffs on potato products were reduced, many of our export markets were not required to make similar reductions. We need assurances that this inequity will be corrected in this round and that all WTO countries will be required to substantially reduce their bound tariff rates on potato products. Just as an example, in China and Thailand between the tariffs and the trade and the taxes that exceeds 85 percent of the FOB price. So it was very, very substantial.

The second area in which we urge a more aggressive approach is domestic subsidies. Here we urge U.S. negotiators to seek sector specific reductions. The Uruguay Round did nothing to reduce the level of subsidies benefiting the Canadian potato sector. This was because reduction commitments were made to an aggregate measure of support across a broad group of products rather than requiring reductions be made to aid levels going to a specific sector. In the post Uruguay Round NAFTA period, Canadian subsidies continued to be a problem for our industry. U.S. imports of both fresh and processed potatoes from Canada have increased significantly. The U.S. trade representative Charlene Barshefsky has identified, "Canadian federal and provincial assistance measures on potatoes to be one of several priority issues for formal consultations with Canada. We hope the new round will finally address these subsidies and eliminate the advantages they present for our Canadian competitors. Otherwise our growers will continue to lose U.S. market share to a Canadian industry that is competitive not because of its innate abilities but because of its benefits from government aid and currency advantages. Just on a personal note. I'm familiar with two communities, they're ten miles apart. The only thing

dividing them is the 49th parallel. In one community the potato industry has been severely damaged the last five or six years, acreage is reducing, jobs have been lost. On the north side of the border the industry is growing, contracts are growing, there's more jobs. I don't want to continue to export jobs and to damage the infrastructure of our country. So I appreciate your help in this matter people. Thank you.

MS. KINNEY:

Thank you, Justin. Duane Maatz from the -- also from the Red River Valley Potato Growers will be followed by Chris Hanson and then Bob Thullner.

MR. MAATZ:

Hello, I'm Duane Maatz with -- I'm the office employee at the Red River Valley Potato Growers. I serve as the president and guys like Justin are my employer and I don't ever forget who I'm working for. It's extremely important. One of the things that I do is I serve on the Government Relations and International Trade Committee with the National Potato Council, as well. They're based out of Denver. And I have some comments that come from them, and being as close to a lot of these issues as we are, they do -- they do hit close to home. A lot of these comments address two issues relevant to U.S. government policies for the Uruguay Round mandated negotiations on agriculture. They include the inadequacies of the Uruguay Round commitments on domestic subsidies, market access and sanitary and phytosanitary disciplines. And, number two, the ways to improve on those commitments in the new round of the WTO agriculture negotiations to begin in November of 1999. Exports make up for an ever growing percentage of U.S. potato production, accounting for 11 percent of total production and over 15 percent of frozen potato product sales. U.S. exports of all potato products were \$725 million in 1998. That's a 34 percent increase since 1994. This shows the reward for all the hard work and promotional efforts carried out by the industry in overseas markets. Conversely, a total potato product imports by the U.S. rose 163 percent during 1994 to reach \$386 million in 1998. These imports were mainly from Canada and the European Union and were led by dramatic increases in frozen fries and potato starch. Despite the Uruguay Round, liberalization and bilateral and regional agreements that have sought to eliminate barriers to trade, including the U.S./Canada free trade agreement and the North America free trade agreement, U.S. potato growers and processors face high tariffs and other market access barriers in export markets around the world and unfair competition in the U.S. market primarily from subsidized fresh and processed potatoes from Canada. It's been estimated that 2 billion pounds of frozen potato products will be produced in Canada this year and 75 to 85 percent of that is destined for the U.S. market. Over -- since 1993 we've watched that go up 360 percent of just the product that comes here. One thing that seems very unusual if you look at some of our information that we've accumulated and documented over the -- over the last several years is that Canada has done a great job capturing the biggest market in the world for their product. When you look at all the data that -- from all the French fries that they ship to all the other countries, they have no increases or even decreases in other foreign exports. The United States is their big market, it is where they expand. And -- and it's hurting us quite a bit today. In the area of tariff reductions, and the U.S. potato industry supports the WTO adoption of the tariff initiative on processed foods being considered by the APEC countries, U.S. potato growers and processors have supported U.S. efforts under the Asia Pacific Economic

Cooperation to reduce or eliminate tariffs in the processed food sector and on frozen French fries in particular. The U.S. potato industry asks that the following principles be included in the U.S. government's negotiating objectives for market access liberalization to significantly reduce tariff sought for agriculture products, including processed food in all WTO countries, including so-called developing countries as Justin alluded to. The U.S. has the lowest ag food and tariffs of the WTO countries, particularly for potatoes. Accordingly, U.S. tariff levels should not be further reduced without strict and immediate reciprocity by other WTO member countries to reduce their tariffs on U.S. tariff -- to U.S. tariff levels. Other potato countries include Europe, Canada, Argentina, Australia and New Zealand must match the U.S. reduction commitments. The new round should seek to hasten countries implementation of the Uruguay Round sanitary and phytosanitary agreements. In the area of potato seed and, of course, being located where we are, we see it with Canada quite a bit. If you're a Canadian seed producer, you have great access to U.S. markets in regard to, if you have a bin full of potatoes, you can receive a health certificate which allows you to ship them nearly anywhere in the world by Canadian standards. If you're a North Dakota or a Minnesota or a Wisconsin potato grower, you need to have each load inspected and pay for that inspection and then when it crosses the border, if it can get through the border, it will be reinspected by a private agency within the Canadian -- or selected by the Canadian government, although it's not a Canadian agency, and then you as the producer, as the exporter, pay for that inspection, as well. And the objectives are very different. A health certificate is a pretty loosely knit item, you know. Any of us could give a health certificate if we stood on the top of the bin and -- and smelled a little bit and didn't see a big sink hole, we'd probably think it's okay. And that's about the way it feels to us. And Canada has effectively captured our Western states seed markets and -- which has a direct impact on the Red River Valley. I believe we're 15,000 acres down in seed over the last eight to 12 years. It's a significant decrease in revenue when it comes to those individuals who grow that seed. She knows that I used to teach school. She's going to cut me off. I can see it coming. I do have comments prepared by the National Potato Council that I'll distribute. I appreciate your time. We have a lot of concerns, as everyone does, and we're -- we're very hopeful that we'll make good ground and progress in the talks in Seattle. Thank you.

MS. KINNEY:

Thank you, Dwayne. It's only because my teacher taught me so well that I know how to do that. Our next speaker this afternoon is Chris Hanson with the Center for Alternative for Plant and Animal Products of the University of Minnesota. He will be followed by Bob Thullner and Mark Ukert. Welcome.

MR. HANSON:

Thank you. I want to be very brief. I work in a center at the University that looks at value-added products and we believe that's a good way for us to remain and become more competitive. It's not what I'm going to talk about today, though. I've got three quick points. The first is we're in a war here. This is a trade war. And I'd like to address this to Ambassador Baas. I think food is our best weapon. It's like a bazooka. We've aimed it the wrong way. You know, it's hard to tell on that thing which way it's going to shoot. We don't want to shoot at people and take food away from them. We want to supply them with food. We don't have a shortage of demand. We have an inability to distribute

that food. We need to start thinking about food and our distribution of it through trade policy as a way to market. Let's give them a taste of the good stuff. Okay? Let's not fire at North Dakota with our food policy by cutting off sales or Minnesota towns because we've got our bazooka aimed backwards. Let's provide countries with food -- with quality food products as an incentive and a way to increase our demand for our products as a positive tool. The second point, and Commissioner Johnson made this point already. It was point number four. Equalize and eliminate. I say we should equalize in order to eliminate. We can't go in and say, well, we're going to eliminate this subsidy and we hope you'll follow. No, we've got to say, We're going to do exactly what you're doing and then we're going to compete with you and we're going to beat you at your game and you're not going to want to subsidize anymore. That's the way we have to approach it. You can't give away the farm and say, we hope you give away your farmers' farms, too. You know, like Patton said, we don't want our trade representative out there to give up her life, our farmers' lives for our country. We want that other unfortunate trade rep to give up their, okay? The last point is a very important point to me I think and that is what I call free trade in America. I was glad to hear that Paul Christ from Land-O-Lakes, my friend from Land-O-Lakes, said, they believe absolutely in free trade. So do I. Let's get it here in America. Dairy policy in America is not free trade. We shouldn't be out there knocking on the world's doors with the dairy policy that we've got in the United States today that pays inequitably between producers in the Midwest and producers father away from Eau Claire, Wisconsin. Let's do our own homework first. Thank you.

MS. KINNEY:

Chris, if you'd return to the question Marc Baas has a question for you.

AMBASSADOR BAAS:

Not really so much a question as maybe just a comment on your -- your first point since you addressed it to me on the trade war. I think actually we've been doing that and I think the Department of Agriculture has been in the forefront of -- of trying to use food and food assistance as a way to market. It's not what we're in the food assistance business for, frankly. We're in it for humanitarian reasons. But we had a huge program that went to Russia. We had a huge program that went to Indonesia. We had the whole 416 wheat program. I have in my office probably on a -- it seems almost like a daily basis, it's probably not more than a weekly basis, Australians and New Zealanders complaining about we're stealing their markets because we're giving people a taste of our wheat or our whatever. And...

MR. HANSON:

Good.

AMBASSADOR BAAS:

So some of that is happening and I think -- I think USDA and, specifically, and I think probably the government generally deserves some credit for that. And I would just make an observation about your second one on, you know, subsidize until they can't subsidize anymore kind of thing. That's easy to say until you go and look at the budget. Unfortunately, the EU has much deeper pockets correctly or incorrectly. I'm not taking that point, it's just a fact. They have much deeper pockets on subsidies and a willingness to subsidize and we don't have that much money to do it. And they would beat us in a subsidy war. That's a problem. And I think unless you think the U.S. Congress is going

to vote huge new amounts for us to match subsidy to subsidy, probably our best goal is to get them to cut back their subsidies in a -- in this upcoming trade round.

MR. HANSON:

Well, I certainly agree that the goal is the elimination, but I find it hard to be compelled to eliminate my subsidy that is making my farmers a good living. And as we go out of business as a result, there is no incentive. So I think you can't give up that card too quickly. Thank you.

MS. KINNEY:

Thank you. Our next presenter this afternoon is Bob Thullner. He will be followed by Mark Ukert and then South Dakota State Senator Frank Kloucek.

SECRETARY SCHROEDER:

If I may add one comment here. Mark mentioned the program and I'm sure you're all aware of it that last July we started the program utilizing Commodity Credit Corporation under the authority of Section 416 initially for purpose of 80 million bushels of wheat and then that was expanded to include 180 million bushels. That's a total of five million metric tons of wheat that has -- has been or is in the process of being donated to a number of countries throughout the world, particularly in Africa and lastly Russia. That's been a tremendous program. And nobody has worked harder and done more on this program than Ambassador Baas. Whatever the program, whatever the policy, you've got to have people that -- that really implement these programs and Marc has done a terrific job in overseeing that program in the interagency process for the State Department. And as he says it hasn't been greeted with appreciation in all corridors, but by and large it's been a tremendous program. It's helped our producers here, but more importantly it's helped a lot of starving and poor people around the world. North Korea, for example, actual famine in North Korea and then, of course, Russia and Africa where people are really hurting.

MS. KINNEY:

Thank you, Secretary Schroeder.

MR. THULLNER:

Thank you panelists for giving me the opportunity to address to you this afternoon. My name is Robert Thullner. I'm a diversified family farmer from Herrick, South Dakota. South Dakota continued and enacted amendment "E" which prohibits corporate farming and was the first state to pass mandatory price reporting of livestock. South Dakota is the largest monetary statewide supporter to the ARCAB program. I am the son of an Austrian immigrant. My father spent a good portion of his life in the Twin Cities area as a bridge builder and meat cutter before buying a farm in South Dakota. I represent the average age of all the farmers in America and I'm categorized as two percent of this nation's population. We as family farmers are living in a period of self-denial brought on by unfair trade, currency exchange rates, Freedom to Farm bill and low commodity prices. We essentially have six months left as family farmers. Board rooms across this nation are laying final plans for the year 2000 whether it be in manufacturing, processing, education, government, religious ministry or food production. The goal for all segments is controlled through merger, controlled monopoly, consolidation and guaranteed secure profits. We as a nation are yielding to the year 2000 readiness for those corporate raiders that know how to work the system of vertical integration to perfection. When multinational companies

gain control as they have, consumers will pay dearly for food and producers receive less. We could experience food shortage on the pantry shelf if this trend is allowed to continue. I also sell seed for a company named for a county in the State of Illinois. A corporate rural raider bought this company that has a name that rhymes with the State of Montana. 32 years ago I sold DeKalb -- for 32 years I've sold DeKalb seed products. Now with the Monsanto name employees, consumers and customers don't count. Monsanto made the decision to terminate the job of my district sales manager a few weeks ago with 50 percent of the corn and 80 percent of the sunflowers in our area yet to be planted. Pack test plots weren't planted, seed shortage distribution was curtailed and seed supply grew out from foreign countries was shorted or failed to arrive in time for planting. Monsanto's next agenda is next to eliminate farm dealers and through contract consolidation have chemical and seed one-stop farm shopping malls. If Monsanto can sell their technology to every seed company, why should they raise seed? Producers will have no guarantee that tech commodities or GMOs can ever be sold into a global market. We have ten firms worldwide that have 55 percent of the world's grain storage facilities. Our breakfast and cereal companies had no problem raising prices to consumers recently. We have four major packers that slaughter 82 percent of the nation's beef supply. With livestock prices being low, these packers raised prices to outlet stores within the past few days. IBP is the world's largest packer and is known to provide the price leadership to the other packers. The Freedom to Farm bill was designed to help increase the concentration of livestock whether it is hogs, cattle or poultry. Freedom to Farm was the agi-businessman's dream. How else could they be guaranteed cheap feed and the most abundant supply known to man? Livestock concentrators wouldn't have the manpower, land, time and resources to supply their feed needs below the cost of production like the present day family farmers. John Deere has given 5,000 employees two weeks extra vacation this summer because of lagging equipment sales. Cargill and Continental Grain talk merger. Farmland and Cenex talk merger. We as family farmers pray for rain and fair weather on Sunday and Monday morning like a den of thieves the Board of Trade and Mercantile manipulate the price of the world's food supply. I was in Southeast Texas a few months ago and visited a large cattle ranch. I learned that over a hundred years ago we only exported beef hides to Europe because there was no refrigerator ships to keep the meat from spoilage during the voyage. Today we cannot sell meat to Europe because of the drug residue. I cannot afford to sell my cattle and hogs to Canada because of the dollar exchange rate and without proper health papers. NAFTA and GATT seem to make America the dumping ground for the world's bounty. Never once have the mega-multinational companies ever advertised that they paid more for our agricultural products than the competition. They don't have to because there is no competition. We need to enforce existing laws, close loopholes and restore competition to the marketplace. Let's give the family farmers a level playing field and restore dignity to rural America. Thank you.

MS. KINNEY:

Mark Ukert to be followed by South Dakota State Senator Frank Kloucek and then Minnesota State Representative Ted Winter.

MR. UKERT:

Thank you and hello. I'm Mark Ukert from Northeast South Dakota, a four generation family farm, mother and dad, both side of the farm, and we own it all. We've never sold

any of it. We're in the biggest trouble we've ever been in our lives thanks to the many things that have been said before us today. I'm not going to repeat a lot of that, but what I'm going to tell and ask everyone here, especially the group at the panel because I think that they've been great listeners. I've watched them. They've listened well. They've jotted down great things and I appreciate that. You need to absorb what happened today. You need to understand the emotion that Bob just showed, that I'm showing, that Roger showed, that Gene showed. There is very great pain here. You need to reflect on that and continue to go over and over and over it. You also need to come back to us and ask us for some more help because we want to help you win the debate war. You've got the best leaders here. You don't need to go see Dan Glickman or Bill Clinton. You've got them right here in the room today. Take the names and the addresses and keep in touch with us. We're the ones that will help you get it done because we're at the front end of it and we're taking all the hits, if it's mother nature, if it's the Canadian Wheat Board, if it's South America, if it's Mr. Monsanto, whoever they are, we're taking the front end of the hits and we feel them before you even do. You get the ricochet back. Sometimes you never get them back because sometimes we just disappear, we fall back into the system, the farm is eliminated. So let it hit your heart, let it hit your soul and let it come into you. And don't let me leave here alone without letting that happen to you because I want you to understand how serious it is. There might be some in here that have already lost their farm. I might be next. And I know some of those people and I know some of the families and I know the pains, so I want to help express that. I'm your partner in this. You need to learn to respond. You need to learn to let me touch you and let all these farmers touch you and let their experience be part of it. You need to help them understand and we need to help understand what you need from us, as well. We need to know more how we can help you identify the problem and express it and debate it. Being casual in this program like we've all been we've let maybe the Commissioners, the Secretaries or the Congressional people do our work for us and maybe we've been too casual at that. Casual thought pattern has brought casualties in rural America. There should be a thousand of us in here today instead of 150. And this is the best place to be other than sitting on a tractor in North Dakota or South Dakota because it doesn't matter at \$2 wheat or \$1.50 corn if we got it in today or not. It matters that we made an impression on you and we identified our problem and you understood it. The third item I want to do is to be able to take some action immediately, now. We can't wait three years. Maybe three years from now there will be nine of us sitting here. Maybe there won't be any of us here. We need to get that done immediately while it's hot. And these items are hot. If you visited with any of them out in the hallway, and please do when we leave, we are very sincere. It's a very hot issue and I think you all understand that. I just wanted to clarify and hope to be your partner in that, as well. And, finally, what I'd like to do is share with you, share my problem, share my pains. We still have the family farm on my mother's side out in Southwestern North Dakota and we farm in Northeast South Dakota where we're 30 percent under water. And we've tried a lot of different programs trying to save the family farm. And our family is the only ones that have ever farmed it, as well. We've stuck it out. Heck, I could probably be one of you people. I have just as much education as some of you and I could be one of these. I could get a big job with six figures maybe, but it's not what it's all about. It's family farms. It's family communities.

It's rural Main Street. It's you and me. And I invite all of you to come out to South Dakota and walk the streets and walk the problems and go through the mud and watch the mosquitoes bite you and wonder how you're going to make this thing work. So with that I close and I wish you all success and I hope that your sharing ability with those people that you need to debate in the world trade talks that you win. And I know you will because you've got the greatest support right here. With that I've got a couple of maps of where my farm is. I would have brought three, but I didn't realize that the Secretary of the Department of State was going to be here. I'll get you one and I want you to come to South Dakota sometime before November and even Western Minnesota and Southwestern/Southeastern North Dakota and we'll walk through this thing and I'll -- I'll introduce you to people that have got unbelievable pain. And you're our help and we want to help you. Thank you very much.

MS. HOWES:

I spoke about this with the press at lunch, but I don't know if all of you were here. And I just want to make sure that you know that despite the fact that we view these negotiations -- or we hope that these negotiations can be finished within a three-year time period, that doesn't mean that we aren't pursuing other resolution and bilateral problems, enforcement of existing Uruguay Round agreement commitments or WTO commitments or a resolution of quarantine barriers. So we are continuing to pursue those issues and we look for your input there, as well.

MR. UKERT:

Thank you. Appreciate it.

MS. KINNEY:

Thank you, Mark. State Senator Frank Kloucek to be followed by Minnesota State Representative Ted Winter and then Howard Fleager will be our third speaker.

MR. KLOUCEK:

Yes, Secretary Johnson, Secretary Hugoson, Deputy Secretary Schroeder, Trade Negotiator Teresa Howes, Ambassador Marc Baas, testifiers and guests. I am Frank Kloucek, a third-generation family farmer from Scotland. I also had the honor to be a State Senator from South Dakota. I'm here today as with the rest of the South Dakota delegation and Mr. Fleager, kind of our hand-picked aid team, to try to influence you about the importance of what's happening in family farm agriculture today, and I'm sure you're aware of it. I am the prime sponsor of the Mandatory Price Reporting bill in South Dakota and we have gone to the other states and passed in the other states, and also Ted Winter who has been a great inspiration and help and Larry Green, as well. And we have gone to these states and met with thousands of people. We've had four rallies in these states, 800 to 1,000 per rally, and spoke to these people and they have spoken to us and what a message they have said. They are farmers and ranchers who are working today to try to get the best and fairest return they can at a time of the worst recession or depression since the 1930s based on inflation factors. They can't even get back-break even costs for their swine, corn, wheat and soybeans. We talk about fair trade. We talk about free trade. And if you think the American farmer is going to take less for his GMO beans and corn that they have told us and sold to us and said how great they're going to be, well I think you're sadly mistaken. I smell class action lawsuits, and if I have to I will lead the charge. I think that this type of corporate monopolization of the industry must end. When we can

spend \$190.4 million, and I'm sure Larry will allude to it, for bananas in trade sanctions for a group that has no check off, no organization, no promotion and no promotion fees, how can we expect our American independent farmers to take 8 cents for hogs? We export in terms of metric tons and volumes to such countries as the EEC, but yet we don't think about exporting in sacks and containers that Egypt and Guam can actually buy. I think that's a sad thing when we're trying to force things on these people instead of creating the markets and expanding those markets in something they can use. I ask that the independent farmers and ranchers are represented at the World Trade talks in Seattle in November and December by having them represented by Leland Swenson of the National Farmers Union and a consortium of independent ag producers from across this country and world. I ask the family farmers and ranch producers of the world have a 51 percent vote at this meeting. I know that's a stretch, but I think it's important. We may control two percent of the population, but we deserve that 51 percent vote because whether -- our future of our production of agriculture is at stake.

Will Rogers, and Norm Hone a good friend of mine, Norm, and Will Rogers who I have never had the opportunity to meet, I believe said, "It is said you can lead a horse to water but you can't make it drink." I disagree. I say, yes, you can if you put a little salt in the oats. Yesterday I had the opportunity to do a television interview with some of the people in this room with a rib feed in Sioux Falls, South Dakota. A rack and a half of ribs -- pork ribs was \$22. We paid for the ribs and we looked at them and a whole hog at \$8 a hundred weight brought less than that whole -- that few ribs that we ate. Sure it was good marketing for those people that sold the ribs but where was the parity for the farmers? Today I was -- Thursday I bid \$32 a hundred weight which is \$80 per \$250 hog -- 250 pound hog. That is still below by about ten percent the breakeven cost of production plus a fair return. The value added is not being passed onto the producer. I ask you honorable dignitaries do you want the multinationals to control production of agriculture worldwide as an efficiency factor? All we heard about a lot this morning was efficient alternatives. Well, then, keep talking free trade, free trade no matter what. Instead we must address mandatory domestic marketing that is open and free and fair and competitiveness in the marketplace. We must address adding value to those products that we're going to export. Who are we fooling, exporting raw soybeans to China? How much money do you think our country is going to make off of that? I am a charter member but we could make more. We could make a lot more if we could add value such as cooked soybeans that are edible, that are processed, that are ready to feed to the Chinese population. We could add that value right here in the United States rather than having China add that value. I'm a charter member of the South Dakota Soybean Association. I served as their state secretary in 1987. I'm disappointed by them and other organizations. I continue to ask for the resignation of Al Tank as executive director of the National Pork Producers. His actions and his words have hurt my farm income and thousands of my neighbors who are independent producers. We need leaders who should think cooperatively and not -- not corporately. Cooperatively and not corporately. In closing I ask that the blue box continued only in the WTO negotiations for the benefit of independent producers be continued if they benefit those independent producers. I ask that the green box must be continued for the full nine years to guarantee the safety net for the independent producers and the amber box must be closely scrutinized that any reductions must not hurt the

independent family farmer. In closing, we need the National Farmers Union as our lead negotiator for fair trade. We need parity prices worldwide and not the continued destruction of family farmers and ranchers in the sake of corporate greed. Thank you very much and I'd be honored to answer any questions. Thank you very much.

MS. KINNEY:

Our next speaker then is Minnesota State Representative Ted Winter to be followed by Howard Fleager and then Don Hoggestraat.

MR. WINTER:

Well, as a member of the State House in Minnesota, I'd like to thank you for coming today. And to all the people that have come out to participate, I'd like to thank each and every one of you for being here today to actually stand up and be heard in the name of agriculture and in the name of family farmers in Minnesota and the Midwest. I believe that the plate is pretty full for our negotiators when they go into the trade talks in November. I believe that one of the key parts that needs to be on that plate is agriculture as a -- as a key component. I mean we want a nice divided pie. We just don't want a little sliver on the side, we'd like to have an equal share of some of the time and some of the intent of those negotiations that our farms and families get treated as fair as possible in the process. I think with the trade barriers, with the subsidies, with the internal and external subsidies that are used in countries around the world and used in this country today, too, that there needs to be some look at how those can be equitably changed in the future. Some of the Uruguay Round talks that people have talked about during the meeting today have brought forward the issue that we got reduction in our subsidies which were much less than the other countries, you know, had to start out with. We are the ones that lost on those issues on the subsidy changes. Our farmers were getting less help, and when we reduced the help in the foreign countries they actually had twice as much help yet left when we got our reduction which hurt and hurts today. As we look at transparency and transparency in the marketplaces I believe is important. The Canadian Wheat Board, the Australian Wheat Board, or whatever is used in the world, needs to have some transparency so we can compete and understand what they're doing within their countries as far as their trade. We need that in this country, too, nationally between our producers and the corporates that are buying our commodities. We need to know why and how the value is being -- being used. I think one big new piece on the plate is the GMO issue. It's new on the plate. It's not been on the plate in the last couple of years, it's new today. It will be new for the next 15, 20 years. It will be new like hormone beef was new 15 years ago and has not gone away yet today. And we're going to be using I believe sanctions in the -- in the EU against some of the commodities that they're shipping over here in order to allow us to have hormone beef to be sold in their country. If they -- if they won't take the beef, we're going to sanction products that they're bringing in here. That don't make much sense to the people that I know. You use a sanction to get at a sanction. I mean we lose. We lose now because now we don't only have them mad, because they got to take our beef, but we lose because now we've got them mad because we won't deal with their products besides. It's a lose/lose for us. It's not a win/win. When you look at winning in this game, you should use the comment that was brought forward earlier by Mr. Johnson dealing with consumers, consumer-driven markets. And consumer is always the key and first and foremost concern you have to have is how are you going to get them to take the

money out of their pocket, out of their billfold and buy your product? If they don't take the money out and come to you and say, we want to buy your product, you can have all the sanctions in place in the world and they still won't buy from you. You got to have the incentive. You got to have the market strategy in place that they want to buy, and you got to sell them what they want. If it's not what they want, they're not going to buy it. If you want to go buy a Chevy and a Chevrolet dealership wants to sell you a Ford, I mean you'll go home and not buy that Chevy. And that's the same thing that we deal with when we look at GMOs and the rest of it. If they don't want to buy it, we're not going to shove it down their throat, because they're not going to take the money out of their pocket to buy it. We need to be smarter. We need to organize our efforts. And maybe we'll get a dual track. A dual-track negotiations on the issue of what's on this plate that we need to deal with in a way that if they take some, maybe we can do some other stuff with it. And I know you're using that whenever you can as far as trying to move our products forward and the rest of that, but we have to be more conscious of that. The farmers in this nation have taken money out of their pockets every year and provided for export enhancement, because they do the check off and they paid for all these newfound ways to sell products in China and Japan. We've spent a lot of time, a lot of money out of our pocket to get these markets and try to get our products into those new markets in way that they can buy them, and they like them, and they use them, and then we end up with Monsanto coming with GMOs and puts the clinker into the pot that we spent a lot of my money, and a lot of your money on just trying to get that market opened up. And now it's shut down because of something that we're doing that we should never have been down the road. If they would have told the farmers five years ago that these GMO products they are using wouldn't be able to be sold nationally, it would have cut their export markets down, they probably wouldn't have brought them. Monsanto didn't use that in their marketing technology that they started with. They didn't tell us. They didn't tell me as a farmer, well if you plant this, we may have to cut the exports by five or six percent because they're not going to buy it. They're not going to buy some of the other grains you got. I think that that is some of the problem. We need to equalize some of the subsidies that are out there. Allow farmers to have a chance to compete in the world, but we need to have the protection, I think, that gives the farmers in this country a chance to participate in a value to feed their families and take care of their farming operations, too. And that's very important as we move forward. And being here today is very important. We really appreciate it. And as Mark Ukert said earlier, if we can help you, if we can work with you, if we can give you some value to -- to your negotiations, be sure that you allow us to participate and give us the value to -- to do in a way that we can help our families and our friends and our farmers and our rural communities. So with that, it's a pleasure to be here and thanks for coming to Minnesota.

MS. KINNEY:

Ambassador Baas.

AMBASSADOR BAAS:

I would just like to make one comment on hormone beef that you raised and it touches I think on a number of issues that have been raised by a variety of speakers today, sometimes by more than one. We agree with you, retaliation is, in fact, a lose/lose situation. We don't want to retaliate against the Europeans for not allowing our beef

that's treated with hormones into the European Union. We want access for our beef in the European Union. We want to sell U.S. beef into Europe. But as somebody said here today, we can't force people to eat what they don't want to. We can't force it down their throats if they don't want it. And I'm sorry to say there are some Ministers of Agriculture or Ministers of Health or Ministers of Consumer Affairs in Europe who say, you know, we're not having hormone beef in the United States in our country. We don't care how many studies you do. We don't care what the science says. We're not having it. And so what are we left with to do under the WTO? We can retaliate. We tried to pick products that were from countries that were the most difficult on the issue that would hurt countries and that would hurt producers of products who might have some influence, who might be encouraged to change their mind. We did the same thing on bananas, which has already been raised today. On bananas it's still a little too early, but I think on bananas we've got their attention and they are now seriously thinking about how they can modify their banana import regime to make it in the system with the WTO. Once that happens, if we're happy with it, we'll take the retaliation off that we put on the products for bananas. We would love to do the same thing on hormones. We would love that we could negotiate a way for our product to enter, perhaps with labels that says USDA choice, you know, beef or some -- maybe even a little bit more. If we could negotiate something, we would love that. Give the consumer the choice, let the consumer decide if he or she wants to pay twice for hormone fed beef or half price for delicious U.S. beef that's been treated with hormones. Let them choose. So the point is we agree with you and we're working the issue but, unfortunately, in negotiations it takes two sides, too.

MS. KINNEY:

Thank you. Howard Fleager and then Don Hoggestraat and Larry Green will be the third speaker. Welcome, Howard.

MR. FLEAGER:

Thank you. I'd like to start off my little section here with something just a little bit different. I've got a poll I would like to exercise a second. All the people in this room who support independent family farmers would you please stand up and applaud? Thank you. It looks like I'm the only one that got a standing ovation. I'm here representing a company called American Growers Foods. It's a farmer owned company. It's based here in Minnesota. The issue I would like to discuss for the most part is the GMO issue. I've heard a lot of supposed comments today about how everybody is representing farm organizations saying that the GMOs their customers want this accepted into the market and the use of sound science. I haven't seen any sound science that proves that there's anything safe about GMOs. I've got a whole packet right here which is just part of the information that proves there are many things to be concerned with about GMOs, the health risks with them. Our company in the last year's time has been several trips to Japan in working on getting our certified chemical free grain exported to that country. There is no restriction for importing GMOs into Japan. The government officially says it's okay for them to come in, but when they passed that law they also passed another law that said any and all GMOs that come into this country will be labeled and sold as such. And when we talked one on one with the buyers over there, they all had the same comment about GMOs. We thought this European money crisis was the big plague for not being able to export our products into the Eastern rim, and we asked them how soon they thought that

they'd get over this financial crisis and they'd start buying what we had to sell. Their answer simple was, after they laughed, they said, you don't have anything we want to buy. The Japanese people are scared to death of genetically modified organisms, or GMO crops. The most consistent comment that they made was, we will watch the children in the United States for the next ten years. I'm going to read just a couple excerpts from some research that's been done both in the United States and throughout the world on GMOs. One of them talks about the fragments of artificial genes inserted into foods were detected in the brain cells of baby mice in research done by Dr. Walter Duffler (ph) at the Institute of Genetics at the University of Cologne. Some may probably say, well, that don't matter what happens to mice. Well, there's also research that's proven that after Roundup beans have been processed and fed to dairy cows, it carries a very high estrogen level through the milk. And estrogen has a very detrimental affect on our young people and their health. Let's see the scientific proof that says GMO is sound. When Monsanto was questioned about these different issues, they said, oh, we didn't test that. I want to address one thing right now to the farmers in this room. No farmer in this room has got the right to bitch about a price when they're giving money to a company for a technology fee that that company's whole goal is to take over your rights as an independent producer. You are financing their ventures to take over your farm. You don't have the right to bitch about it. If you're dumb enough to buy the GMOs, you don't need it. I've tried the GMOs on my farm, I don't need them. I've proved that BT corn yields less. I've proved that Roundup beans yield less. The whole agribusiness industry wants control of the food supply and with the contracts that they're putting in place and having the farmers sign when they buy the genetically modified crops. That's the direction that they're heading. Before I get shut down, I'll give one suggestion to the panel. Hopefully you got a little relief. I'm not on your case. Let's make the GMO issue simple. Let's label all of it and let the consumer decide whether it be here in America or abroad. Thank you.

MS. KINNEY:

Thank you. After Don is done speaking we have Larry Green, then Myron Just, David Hugo and Steve -- Steve Sprinkle.

MR. HOGGESTRAAT:

Thank you. I'm Don Hoggestraat. I come from Lennox, South Dakota. I have been a past president of the South Dakota Pork Producer Council. I'm presently a member of the South Dakota Independent Pork Producers, served on the United States Animal Health Association and also on the Livestock Conservative Institute on the PRB Committee. I also helped write the eradication rules for the eradication plan. I'm retired at this point in time. I've raised hogs for about 40 years. I, too, am a fourth generation farmer, retired farmer. My son is now on the farm and I'm quite concerned over some of the things that are happening. Some of the things I'm going to relate to today probably don't relate directly to this conference you got coming up, but I will end up at that point. Last week I had an interview with the British Broadcasting Company of Britain and upon visiting with them I heard that in their country the farmer is a very respected person. I told them it wasn't that way in this country. Two months ago I had a Dutch Public Television interview at the hog farm now operated by my son. They, too, were quite impressed, especially with my name being it sounds rather Dutch and so forth. But they were nice gentlemanly-type people and they, too, were the news-media type. However, they had a

little bit more feel for the farm. In plain words, they had a blast out there, which I was happy for them. Now, I realize that marketing and export is only a portion of what I'm going to be talking about. I believe, this is a little different from what we just heard, that genetic engineering is being used by foreign countries as a tool to restrict U.S. imports into their country. What we must do is prove the difference, if any, and that's compatible what he was just talking about. I'm not so sure that those reports are all up to par that he was talking about, because in times past we have had reports that you were not to eat eggs if you had high cholesterol level. And I am one of those individuals. I've had heart surgery. Well, I never was an egg eater, but I still had high cholesterol. So all of a sudden about ten, 15 years later after my operation they said, yeah, go ahead and eat eggs. That doesn't bother you. So just which side of the coin are you going to believe? It's a challenge. Another thing that bothers me, and this we've heard at least 40 times today, is that we do not have a level playing field with these foreign countries. It seems like they have all the privileges and we take the brunt of everything. The United States of America is just as important as the people in other countries. Why must the farmer always be the brunt of somebody's injustices? How they've come about or where they came about I do not know. I'm not accusing anybody. But I would certainly enjoy the level playing field. We are asking for policies to ensure a price that will produce a living standard for the farm that's equal to the city cousin. That's not asking too much. There are many farm families that are now being driven off of the land and I can really relate to that in our area. In our area we've had a very wet year this year. We had an abundant crop last year. The abundant crop saved some farmers for this year. Right now at this particular time there are thousands of acres that are not planted due to the wet situation. If you were to go out there with a wheel tractor you would just sink away. That would be the end of it. You'd probably see the tractor in a day or two again. But what I'm getting at is we have to be careful that we maintain a standard of living. We don't need this exodus from the land from these people. And another thing I want you to be well aware of, and we think about it every day, is if we want cheap food that's fine and well. But let's provide for it so it can be cheap that we're not driving people off the land or an exodus from the land. The trade laws are not being enforced. That causes much of this. Let's move out of our complacency and get some action. The extreme market fluctuation is causing much unrest. Freedom to Farm is pointing to freedom to fail. Now, this is going to stir up a few angers and a few feelings.

MS. KINNEY:

Let me just say you have a minute.

MR. HOGGESTRAAT:

Three minutes?

MS. KINNEY:

One minute.

MR. HOGGESTRAAT:

One minute? Oh, okay. Well, I'll have to speed it up a little. Okay, thank you. This Freedom to Farm is pointing to freedom to fail and this is one thing that I'm not very happy about. We have in South Dakota a new group called the South Dakota Independent Pork Producers. This organization is for all pork producers alike. We believe the mega-producers are the downfall of the industry.

When the mega-corporations have control, the price of food will go sky high, and you seen that last winter when hogs were eight and ten cents, the dressed meat in the counter - the retail store did not come down. Now, the consolidations of these mergers has caused an over production of pork to a whooping ten percent over production. Before we had these conglomerate corporations, we were still all independents. Four percent was the highest over production we had. Now, I think there was some manipulation with these exports that we all need. Let's not have corporations control the markets with manipulation of prices. Now, I want to relate to one thing, if I can. A few years ago a large firm bought soybeans from South America. The purchase wasn't all that large in metric tons, and so forth, but the psychology of it was about -- the psychology was not the purchase of the beans but the psychology of it what it would do to the market. And what did it do? It lowered beans \$1 a bushel, just the psychology. Now that's manipulation and I realize you have little control over that kind of a deal, but you should be able to control such behavior with a few new regulations. This day and age money is the driving force. Be it war or be it markets, it is still money driven or maybe greed of money. Thank you.

MS. KINNEY:

Ambassador Baas.

AMBASSADOR BAAS:

I'd just like to make an observation if I -- if I could and it really doesn't relate directly to what you said, although you mentioned an issue that's been mentioned a lot of times here, and this certainly is not meant to denigrate anything that we've heard today or I believe what you've been telling us about the difficulty of the family farm and so on. But what I wanted to just raise is that I suspect that if we were all French or German or Dutch, or something, and having a hearing like this in Europe the tenure of the conversation wouldn't be all that different. We would be hearing from -- we do hear from European governments and European farmers that the playing field is not level; that the United States is killing them with programs like humanitarian assistance, GSM program. Beef farmers in Europe complain that they can't compete with our hormone fed beef, etc, etc, etc. We would hear from European farmers that their family farm is being -- is going down the tubes, that they can't compete with the American family farm which is so large and that they have, you know, Paris very near their farm and that's really a big problem because the suburbs are expanding and so on and so forth. So the point I'm trying to make is for negotiators this is a very difficult issue and a very difficult problem because both sides see the playing field as unlevel. It's just which way it's tilting. Both sides see the family farm in distress and they may be both right in that regard. And so I just want to sort of set a broader scope that we, I hope, can keep in mind as we are -- as we are going through this. And, again, it's not at all to -- to take issue with anything that's been raised here because I believe that, it's just I think we need to know a little sometimes how the other side is and where the other side is coming from, as well.

MR. HOGGESTRAAT:

I would like to -- could I have half a minute? I would like to inject one thing that I became aware of the other day. I have a nephew that was instrumental working on that project of inserting that gene into the soybean to make it Roundup ready. And we got talking and discussing and he didn't -- I hadn't talked to him for a few years and he didn't

know where I was coming from. I knew about where he would be coming from. But he did tell me this, he said -- and we got talking about these corporations -- and he said -- this is the statement he made. He said, we are looking at to get this Roundup ready bean in the foreign countries so we can get them to produce their own beans that we don't have that cost of transportation of moving our beans from this country to their countries. Now, that's a little bit different than what we're trying to do and accomplish today.

AMBASSADOR BAAS:

Sure.

MR. HOGGESTRAAT:

But underneath these corporations. I really do believe this. Thank you.

MS. KINNEY:

Thank you, Don. Larry Green is our next presenter followed by Myron Just, Steve Sprinkle and then David Hugo.

MR. GREEN:

Yes, my name is Larry Green. I'm from Foley, Minnesota. I thank you for this opportunity to speak today and I'm really grateful for the World Trade Organization as winning the banana war for the American farmer. I mean I have raised bananas. We have four trees in the backyard in Dededo, Guam. But other than that there's -- so I am very proud of that fact that you won that. But a little while ago the Secretary of State over there was talking about the food aid to Russia. Last fall when I was sitting in Trier, Germany, in a little shop, seafood shop, eating I was reading the paper and my understanding is that the Russians took the food aid from Germany before the United States. It was printed in the paper over there that way. The United States is good at having a lot of conditions to an agreement.

AMBASSADOR BAAS:

Seriously, we had our agreement first. We started shipping first. They were still debating. They were debating up until about a week ago what price they were going to sell it at. They wanted to really gouge the Russians. Our stuff began arriving first. Now I think it's all kind of arriving simultaneously. But they, in fact, I think didn't want to have a program but felt they had to have a problem because they were afraid we were going to steal a march on them and steal a market from them, as well. So their program was actually in reaction to ours.

MR. GREEN:

But getting back to some trade things. I would like to see the USDA do some things for identitative preserve products. We could move a lot of identitative preserve soybeans to the Asian market just because of the area that we live in for the soil type. They do not like the beans that are grown on red soil. They stain the bean, and it does not make good tofu. They also like hard endosperm corn shipped in their ships across the ocean. It takes the ocean voyage much better because soft yellow dent corn mushes in the ship. Those are things that the USDA could help the independent farmer market by keeping them separate. But we need a mechanism to handle the financial and the shipping of them. There is no such program today that's available to the independent. And that's basically all I got to say today. Thank you.

PANEL MEMBER:

Some of my cattle friends out there get that oxymoron, good tofu.

MS. KINNEY:

Thank you, Larry. I should mention as Myron Just is making his way up that Dan Thompson of the Minnesota Corn Process has submitted written testimony. It will be in the file. And I'll introduce to you Myron Just of the Minnesota Agri-Growth Council.

MR. JUST:

Good afternoon. Panel members and Commissioners, it's a pleasure to be here in front of you. First of all, Minnesota Agri-Growth is about a 30-year old association, about 250 members from most of the producer commodity groups from throughout the state through processors and marketers. So we run the gamut from producers through a lot of the cooperatives located here to the Cargills and General Mills and work on economic policy, trade, environmental, transportation issues where we have agreement. First of all, by and large we've generally really supported expanded trade. Heaven knows we're export dependent here in Minnesota and in the Midwest. We couldn't possibly eat all of the corn, beans, dairy products, pork, edible beans, sunflowers and everything else we produce here in enormous abundance. So we have a lot at stake and a lot of interest in what goes on with CUSTA, NAFTA, GATT, and now WTO. About 50 previous speakers have alluded to some of the problems that have evolved, particularly at this time when we're in -- the world agriculture are in a glut and -- but it isn't only true of agriculture. Certainly, steel, bananas you've dealt with some of those other problems, as well. I want to compliment you on your comments this morning. I think, particularly, Jim's comments indicated and his written materials gave us a good overview of what's evolved, particularly in the last 25 years with trade policy and agricultural policy and how we've sort of arrived at where we are today and how we've come to a global economy, a world economy that we as agriculture producers, processors, marketers are dependent on and how interdependent we've come at that and how tremendously vulnerable we are when world economies, which are big markets for us, go in the tank and given the nature of agricultural economics a little bit of overproduction causes an enormous decline in the price and so you have wheat prices, corn prices, pork prices that go readily in the tank. And so the problems come here on your lap and a lot of the problems get thrown in the lap of things like NAFTA and GATT and WTO. Well, let me say that as someone who has farmed for 25 years, almost 30 years in North Dakota and still has a farm there I just wanted to share a couple of additional observations. Certainly, my shop back there, like many of the farmers in this room is filled with Makita tools. And we buy implements from Canada and we have versatile equipment. And I think most of us in this room we're probably wearing mostly clothes that have been made somewhere else in the world. I don't know if you can buy an American watch. We'll go home to dinner tonight, and we'll probably, you know, unlike when we grew up at our mother's table when we ate pretty much I think standard traditional family fare. Tonight you'll go home and whether it be, you know, here in St. Paul or whether it be almost any community, you may decide whether you're going to have Chinese tonight. Is it going to be tacos and Mexican food. My parents are 85-years old and they just love pizza. And, you know, I can't ever remember when we were kids at home that we ever had pizza. And they like Chinese food now. And so, you know, I'm just only citing this because it's an indication how global we've become, and to -- to the greatest extent we like it because we really like the choices it gives us. And what I'm getting to is that this really poses some problems for the agencies represented on this panel

here, and particularly when the Seattle round of WTO talks open in December. Well, the thing I'm getting -- I think I -- I would really like to leave with you and I think an area where you've already begun to work after the activities last fall, but, you know, we go to Canada on vacation every year or two and we really enjoy it up there, and like many of you, I'm sure, when we go to Canada and drink the water, eat the food, drink Labatt beer or Seagram's whiskey, you know, I don't even think about the fact that, gee, you know, I wonder what they use to raise their barley with or what they use to raise their wheat with? Or, you know, if I eat delicious Canadian bread it doesn't occur to me that, gee, did they use some banned chemical in there? What I'm getting at is when we go to Canada almost anyone in the U.S., 99 percent of the people probably assume the food is safe. When Canadians come here, they assume it's safe. And I think where you really need to move is, we need to get environment Canada and EPA in step with the reality of where consumers are. And so that we don't have protests like the hog protests that Governor Janklow led, and it spread to most of the northern states, because we have pigs coming to Hormel -- I mean to Merrill and Sioux Falls from Canada, we have pigs coming to Minot, North Dakota, or plants elsewhere and we assume the pork is safe, but the laws, rules and regulations aren't harmonized, whether it be for the production of wheat, production of potatoes, productions of sugarbeets, productions of beef, production of pork in keeping with where I think the world economy and the world market is at and it gets us drug down in all kind of problems that, anyway, I'm -- I think that we really need to move these agencies, your bosses and your sister agencies, a lot faster along so that we don't get caught up in so many of these problems that we ought to be able to deal with because of ISO-9000 and 14,000 that's out there today. And the reality is the global economy. And I can tell you lots of stories about farmers, Canadian, Minnesota, North Dakota valley farmers who tell me about all kinds of horror stories about chemical products, seed, food, whatever, that gets black marketed over the border because of the insanity of the fact that rules and regulations haven't kept up with the reality of where the market is at. So thanks.

MS. KINNEY:

Thank you, Mr. Just. Our next speaker is Steve Sprinkle who will be followed by David Hugo. I mention as Steve is making his way up that we also have received written and prepared testimony from Mel Pitachick (ph) with the Farm Equipment Dealers Association that will also be in your packets.

MR. SPRINKLE:

Thanks very much for the opportunity to address the audience and the august members of government that are here to listen to us. Interestingly enough, I suppose since it's at the end of the day it befalls me somewhat to create a summary. I guess I would put it generally under the heading of relevancy of government, because as the former speaker and a number of other folks just mentioned the market itself is taking off and we're caught in a system now in which there is an awful lot of acceleration going on. For the last three years I've been bird dogging the genetically modified organism issue. I'm a certified organic farmer and I've been a organic farmer since 1976. Some of you might say, well, what in the world is this organic guy doing here? As a matter of fact, organic farmers are the accidental beneficiaries of all of the maladies that are now befalling conventional farming. In other words, the market for organic food is blowing up in Europe chiefly because the people in the UK and the European Union don't want to eat genetically

modified food. So I'm not disingenuous in saying that I'm here also to defend family farms because I was once a conventional farmer myself. I would also say I'm probably the only person in this room who has raised bananas commercially in Hawaii. And I wondered why in the world it was my government that does not have a single commercial banana field to represent that wanted to do battle over somebody else's bananas. But the market itself is creating segregation and it's not really something so small as organic anymore. Everyone has heard of Unilever. Everyone has heard of Nestle. They have independently and arbitrarily decided that they are going to elect to segregate and to label or to even keep it out of their products. And we're talking about an awful lot of candy bars. We're talking about an awful lot of processed products. Soy lecithin which is in many products now is going to be either segregated or is not going to end up on the food shelves in many European countries, as well as in Japan. And whoa betide us, once that great sleeping giant, the American consumer, wakes up and figures out that there might be something of interest here that we might want to take a look at. I'd like to remind you that it was exactly one year ago that they were counting up the largest number of public responses to a proposed rule ever issued by the United States Department of Agriculture, it was the proposed rule on the national organic program issued on the 17th of December 1997. 270,000 U.S. citizens got up of their chair and sent an e-mail or a letter or went to a hearing and said, we do not want to have genetically modified organisms be part of the organic paradigm, be part of organic standards. That was probably the first time this ever hit the radar and since that time you have much more consumer education going on. And I have been following this and writing about it, as I write professionally for a national agricultural journal called Acres USA and I've also worked professionally, for instance, as a member of the United States delegation of the Codek Alimentarius Committee that last met in Ottawa. And I can tell you this is a burning question. It's not one that can be brushed off easily. I'm afraid that we've probably bought into something and that we're -- we're carrying water for a very, a very slim and very small sector of the input manufacturers which really have done a great injustice to our rural communities. So I think that by now it seems to me that almost a market itself is overcoming whatever kind of regulation and labeling might ever be imposed either through the World Trade Organization or country to country. Consumers are now determining what they're -- what they want to buy and essentially the genie is out of the bottle and the case is being carried now so much so that of all things someone like me has become conversant, cognizant, actually somewhat expert in genetic gene transfer, transgenic manipulation and hooking viruses onto attributes of crops that we want to change genetically whereas most of my training has been in manure management. So I find it's really incredibly ironic that we should have come to this point now. And fair warning, I also wanted to say that I'm much in favor and I do support the incredibly heartfelt words of Mr. Thullner, Mr. Ukert, Mr. Kloucek and Mr. Winter and also Jodi Slocum. And I think that as these trade meetings go on in Indianapolis and in Des Moines and in other cities I think that we're going to see many more farmers, of course, address other issues that are important to them and their region, but I think that we're going to see an awful lot more folks that are going to be able to speak to these issues and refute the idea that sound science has been used to sell and to promote these products. Thanks very much for your time.

MS. KINNEY:

Thank you, Mr. Sprinkle. Our final comments or scheduled comments so far, David Hugo from Waban. If Bob Metz is in the room at all from Soybean Growers, he was scheduled this morning, we still have his card here.

MR. HUGO:

Welcome to Minnesota, Panelists. I should also own up to the fact that I'm Chairman of the state FAS Committee at the current time, have been active in a number of farm organizations, but I've always made my living on the farm and still do. I could actually take Social Security. I've reached that age, but I've continued to farm. I farm up in Mahnommen County in the Northwestern part of the state, and I think have a little different perspective of some of these issues than some of the people that have been speaking to you. For one thing, I live along or very close to the mainline of the Canadian Pacific Railroad. We're very familiar with what happens with that railroad. We live along a couple major highways that come out of Canada. And to give you an idea of what we do, we do produce -- last year we had eight crops, this year we're down to seven. One of the representatives here spoke for barley producers. We no longer produce barley. We do raise spring wheat. It's still our main crop in acreage. We raise navy beans, we raise soybeans, we raise sugarbeets, we raise alfalfa. I guess this year we don't have pinto beans either. Why don't we raise a couple of these crops? Part of the reason is the function of what's happened under NAFTA. That's part of the reason. Under NAFTA the barley maltster in this country had free and open access to the Canadian malting barley grown by Canadian farmers. And I should inform you, too, I've had groups of Canadian farmers and other countries as well at my farm. I subscribe regularly to a couple of Canadian farm publications to keep up on what they're doing. And I did miss your forenoon session. Why is the Canadian barley coming into this country that's taken us out of production? That used to be either number one or number two in acreage on our farm. Probably the main reason is the value of the currency. One of the crops that we raise -- another crop, is alfalfa. We raised it in the years when some of the other crops didn't make as much money and we made very good money raising alfalfa for the dairy producers in the southeastern part of the state, hauling into Wisconsin, into Iowa. About two, three years ago the Canadian trucks started to come across with alfalfa. Basically today, partly because of them that market is gone. When they come down here and they get a dollar and they take it home, and it converts to a dollar-and-a-half, that makes a heck of a difference when they go into town to pay their bills. We can't compete basically. I don't see in those Canadian Pacific railcars corn raised in Minnesota or soybeans raised in Minnesota going north. That's the fallacy of what we thought was going to happen under NAFTA; that we're more efficient producers of corn and soybeans and it's going to go north to feed their livestock. That has not happened. I can remember when corn raised in Minnesota did go that direction. It doesn't work that way when you've got a 60-some cent Canadian dollar. And I understand where the Canadian farmers are. If I was in Canada and I could load onto my truck my wheat or my barley or my alfalfa or my straw that they use for bedding and haul it south and get a 50 percent increase in the price right now because of the currency exchange, I'd do it as long as they let me. Mr. Just mentioned something about the differences in the different chemicals that can be used on the sides of the border. I can take Canadian farm publications and I see chemicals that we can't buy. That's one thing that's happened. The other thing that has happened is the

price in Canada. Last -- I think last year it was it's always been lower priced than Canada. I called Monsanto Canada and asked why I couldn't buy Roundup up there and bring it across the border. It was 50 percent less costly than it was here. And I have to compete with them guys because they come across with all of these products that are raised whether you use Roundup or whatever other herbicide it is, and there are herbicides that are available to those Canadian grain producers that are not available to us. To show you how ridiculous some of these standards are, in the northern part of our state we have producers that would sign contracts to grow canola for companies in Canada. They could go to Canada and they could get the seed. They could go to Canada and get chemicals that we couldn't use in our country, and then when they -- when the stuff gets sold it went to a plant in West Fargo, North Dakota, for processing and our consumers ate it. But legally we could not use those chemicals whether they're insecticides or herbicides. Now what's the gist of everything that's taking place here today? And I'll ask you a question that I asked at a wheat growers convention in the '80s when the wheat market went to 50 percent. Whose the winner in all of this? Whose the winner? Is the Canadian farmer a big winner? The Australian farmer or the European farmer? I had -- my brother was at my place the other day and I'm not a cook, but on Sunday morning I gave him a bowl of Cheerios. And I looked at that box of Cheerios and it was \$3.69. Are the consumers winning because oats and wheat and barley and these have all taken a 50 percent hit? Or is somebody sitting over all of this got us kind of fighting at each other and walking away with their pockets full? Because I don't think consumers in the world are getting a break any place as far as that goes because I know what happened with pork prices. I mean we sold wheat for \$6 a bushel a couple years ago and now we can't get \$3 out of it. I sold corn off of my farm for \$4.70 and now it's \$1.70. Are you people as consumers benefiting? When you go to that World Trade Organization thing in Seattle, remember that consumers and producers should be the winners, not some multinational or international companies that basically want to play us against each other. Thank you for coming out. I'm sorry I kept you that extra ten minutes or whatever. Thank you. Any questions?

MS. KINNEY:

That was our last official presenter for the afternoon.

MS. HOWES:

I'd like to make a couple of comments before leaving, because as -- as we said earlier this is really just the beginning. I've learned an awful lot here and I'm sure the other panel members have, as well. Obviously, you never know too much. Maybe sometimes you never know enough. But I would like to say that we've heard your concerns and we'd like to convey them to Ambassador Barshefsky and Ambassador Cher when I get back to Washington. And we still need your help. Please don't view this as your only opportunity for input but continue to contact us with your suggestions, your concerns and use every avenue possible when you have time, and I don't -- aren't out in the field to let us know how you think things are going. Thank you.

MS. KINNEY:

Ambassador Baas?

AMBASSADOR BAAS:

Well, I'd also like to make a few closing comments, if I could. Certainly I first want to

thank all of you here for coming. I want to thank our host, the Commissioners from the four states, particularly our Commissioner here from Minnesota for hosting this affair. It's really been enlightening for us and we've really enjoyed it. Again, this was -- this was not a forum on farm policy, on Freedom to Farm, on loan rates, on corporate concentration. But we -- we appreciate those comments. We know those are of vital interest to you and of concern. It has indeed been a forum on trade and on trade agreements. Trade agreements are not the be all and the end all. We have an international labor organization. We have all kinds of environmental groups and treaties. We certainly can't do much about exchange rates or financial policies and the whole area of monopoly and antitrust is sort of out of our realm, too. So we have to operate with all those things in mind but we can't directly deal with those in the context of trade agreements. And what is our goal? Our goal in these agreements is simply a better deal for American agriculture. We go into these agreements trying to get lower tariffs, lower subsidies and better market access for America's farmers and ranchers. That is our goal. We are the Executive Branch. And believe it or not we don't make a lot of policy. The policy of this government is usually made by our Congress and by others, and what -- we try and implement and do the best we can in carrying out the policies that our Congress passes or that others determine. However, in agriculture we have a long history I think of working together. Traditionally, agriculture has been a bipartisan area where Republicans and Democrats, conservatives and liberals try to work together both in the Congress and elsewhere. We're also proud that over the years we have paid attention to and listened to and worked with the private sector. And I hope that that can continue as we move into the 21st Century. Thank you.

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